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Sheung Moon Holdings Limited

常滿控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8523)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Sheung Moon Holdings Limited (the “**Company**” or “**our**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively referred to as the “**Group**”). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

Reference is made to the announcement of the Company dated 21 June 2022 relating to the delay in publication of the audited annual results of the Company for the year ended 31 March 2022. Capitalised terms used herein shall have the same meanings as defined in the said prior announcement unless otherwise defined in this announcement.

UNAUDITED ANNUAL RESULTS

For the reasons explained under the section headed “THE COVID-19 PANDEMIC’S IMPACT”, the auditing process for the annual results of Group for the year ended 31 March 2022 has not been completed. In the meantime, the board of Directors (the “**Board**”) is pleased to announce the unaudited consolidated results of the Group for the year ended 31 March 2022, together with the comparative figures for the year ended 31 March 2021 as follows. The Directors confirm that the following unaudited consolidated financial information is prepared on the same basis as used in the audited financial statements of the Group for the year ended and as of 31 March 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>NOTES</i>	2022 <i>HK\$’000</i> <i>(Unaudited)</i>	2021 <i>HK\$’000</i> <i>(Audited)</i>
Revenue	3	274,251	468,620
Direct costs		<u>(255,041)</u>	<u>(447,780)</u>
Gross profit		19,210	20,840
Other income	4	1,782	21,905
Other losses	5	(6,038)	(943)
Impairment losses under expected credit loss model, net of reversal		(704)	(44)
Administrative expenses		(14,016)	(16,218)
Finance costs	6	<u>(4,174)</u>	<u>(4,325)</u>
(Loss)/profit before taxation	7	(3,940)	21,215
Taxation	8	<u>(106)</u>	<u>(568)</u>
(Loss)/profit and total comprehensive income for the year attributable to owners of the Company		<u>(4,046)</u>	<u>20,647</u>
(Loss)/earnings per share (HK cents per share) Basic	9	<u>(1.01)</u>	<u>5.16</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	<i>NOTES</i>	2022 <i>HK\$'000</i> <i>(Unaudited)</i>	2021 <i>HK\$'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment		76,114	76,152
Right-of-use assets		17	20,726
Investment property		12,100	12,400
Pledged bank deposits		<u>31,220</u>	<u>21,212</u>
		119,451	130,490
Current assets			
Trade and other receivables	11	56,728	51,552
Contract assets		213,762	175,171
Amount due from a joint operation		1,652	3,204
Bank balances and cash		<u>6,491</u>	<u>22,339</u>
		278,633	252,266
Current liabilities			
Trade and other payables	12	71,192	63,406
Contract liabilities		3,202	4,493
Amount due to a joint operation		–	241
Tax payable		37	1,372
Bank borrowings and overdraft	13	124,562	108,920
Lease liabilities		<u>10,051</u>	<u>5,514</u>
		209,044	183,946
Net current assets		<u>69,589</u>	68,320
Total assets less current liabilities		<u>189,040</u>	198,810
Non-current liabilities			
Lease liabilities		–	5,725
Deferred tax liabilities		<u>8,621</u>	<u>8,620</u>
		8,621	14,345
Net assets		<u>180,419</u>	184,465
Capital and reserves			
Share capital		4,000	4,000
Reserves		<u>176,419</u>	<u>180,465</u>
Total equity		<u>180,419</u>	<u>184,465</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION

Sheung Moon Holdings Limited (the “Company”) was incorporated and registered in the Cayman Islands as an exempted company with limited liability on 31 May 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as amended, consolidated or supplemented from time to time) of the Cayman Islands and its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 February 2018. The immediate holding company of the Company is Chrysler Investments Limited, which is incorporated in the British Virgin Islands (“BVI”) and owned by Mr. Tang Sze Wo (“Mr SW Tang”). The address of the Company’s registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is in office D, 27/F, The Globe, No. 79 Wing Hong Street, Kowloon, Hong Kong.

The Company acts as an investment holding company and its subsidiaries are principally engaged in provision of civil engineering construction services.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021

The amendments to HKFRSs in the current year had no material impact on the Group’s financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements

3. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the fair value of amounts received and receivable from the civil engineering construction services provided by the Group to external customers. The Group's revenue is solely derived from civil engineering construction services in Hong Kong during the year.

(i) *Revenue from contracts with customers*

Revenue from provision of civil engineering construction services during the year is analysed as follows:

	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	<i>(Audited)</i>
Civil engineering construction contracts recognised over time	274,251	468,620

(ii) *Performance obligations for contracts with customers*

The Group provides construction services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion of the contract using input method.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. When the Group receives a deposit before construction commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the construction services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed- upon specifications and such assurance cannot be purchased separately.

(iii) *Transaction price allocated to the remaining performance obligations for contracts with customers*

The expected timing of recognising revenue are as follows:

	2022 <i>HK\$'000</i> <i>(Unaudited)</i>	2021 <i>HK\$'000</i> <i>(Audited)</i>
Civil engineering construction contracts		
Expected to be recognised within one year	325,274	445,262
Expected to be recognised over one year	245,594	377,932
	<u>570,868</u>	<u>823,194</u>

Segment information

The executive directors of the Company, being the chief operating decision maker (“CODM”), regularly review revenue analysis by nature of business. The executive directors of the Company considered the operating activities of civil engineering construction services as a single operating segment. The operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform with HKFRSs, and is regularly reviewed by the CODM. The CODM reviews the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation and performance evaluation. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

All of the Group’s revenue from external customers and all of the Group’s non-current assets were generated from and physically located in Hong Kong during the years ended 31 March 2022 and 2021.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group’s total revenue during the year is as follows:

	2022 <i>HK\$’000</i> <i>(Unaudited)</i>	2021 <i>HK\$’000</i> <i>(Audited)</i>
Customer A	71,232	N/A*
Customer B	45,960	241,222
Customer C	26,537	N/A*

* Revenue from the relevant customer was less than 10% of the Group’s total revenue for the year.

4. OTHER INCOME

	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Government subsidiaries (Note)	–	20,312
Bank interest income	7	28
Rental income	395	389
Compensation income	–	219
Project management income	–	468
Sundry income	1,380	400
Others	–	89
	<u>1,782</u>	<u>21,905</u>

Note: During the year ended 31 March 2021, the Group received government grants of approximately HK\$20,312,000 in respect of COVID-19-related subsidies, of which approximately HK\$20,002,000 related to Employment Support Scheme provided by the Hong Kong Special Administrative Region Government (“HKSAR Government”) and approximately HK\$310,000 related to one-off subsidy from Transportation Department of the HKSAR Government.

5. OTHER LOSSES

	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Fair value change of investment property	300	600
Impairment loss on property, plant and equipment	2,200	–
Loss upon written-off of right-of-use assets	–	343
Loss on disposal of property, plant and equipment	3,538	–
	<u>6,038</u>	<u>943</u>

6. FINANCE COSTS

	2022 <i>HK\$'000</i> <i>(Unaudited)</i>	2021 <i>HK\$'000</i> <i>(Audited)</i>
Interests on:		
Bank borrowings	3,350	3,635
Interest on bank overdraft	64	–
Lease liabilities	760	690
	<u>4,174</u>	<u>4,325</u>

7. PROFIT BEFORE TAXATION

	2022 <i>HK\$'000</i> <i>(Unaudited)</i>	2021 <i>HK\$'000</i> <i>(Audited)</i>
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration	4,670	4,282
Other staff costs	124,810	153,259
Retirement benefit scheme contributions for other staff	4,560	5,356
Total staff costs	<u>134,040</u>	<u>162,897</u>
Auditor's remuneration	650	1,100
Depreciation of property, plant and equipment	8,227	7,042
Depreciation of right-of-use assets	126	3,612
Gross rental income from investment property (included in other income)	(395)	(389)
Less: direct operating expense incurred for investment property that generate rental income for the year	<u>136</u>	<u>53</u>
	<u>(259)</u>	<u>(336)</u>

8. TAXATION

	2022 <i>HK\$'000</i> <i>(Unaudited)</i>	2021 <i>HK\$'000</i> <i>(Audited)</i>
Tax charge comprises:		
Hong Kong Profits Tax:		
Current tax	106	145
Deferred taxation	<u>–</u>	<u>423</u>
	<u>106</u>	<u>568</u>

The Hong Kong Profits Tax of a subsidiary of the Group is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. The profits of group entities not qualifying for the two-tiered profits tax regime will be taxed at a flat rate of 16.5%.

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company for the year is based on the following data:

	2022 <i>HK\$'000</i> <i>(Unaudited)</i>	2021 <i>HK\$'000</i> <i>(Audited)</i>
Earnings		
(Loss)/profit for the year attributable to owners of the Company for the purposes of calculating basic earnings per share	<u>(4,046)</u>	<u>20,647</u>
	'000	'000

Number of shares

Number of ordinary shares for the purpose of calculating basic earnings per share	<u>400,000</u>	<u>400,000</u>
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No diluted earnings per share for the years ended 31 March 2022 and 2021 were presented as there were no potential ordinary shares in issue during both years.

10. DIVIDENDS

The board of directors of the Company does not recommend the payment of final dividend for the year ended 31 March 2022 (2021: nil).

11. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Trade receivables – net of allowance for credit losses	35,120	38,737
Prepayments	12,328	3,479
Deposits	4,527	4,692
Other receivables	4,753	4,644
	56,728	51,552

The Group allows credit period ranging from 30 to 45 days to its customers from the date of invoices on progress payments of contract work. The following is an ageing analysis of the trade receivables presented based on the customer's payment certificate date at the end of the reporting period, net of the credit loss allowance:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
0 – 30 days	8,515	20,880
31 – 60 days	14,150	17,851
61 – 90 days	7,973	–
91 – 180 days	4,482	6
	35,120	38,737

12. TRADE AND OTHER PAYABLES

The credit period of trade payables is ranging from 0 to 30 days.

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 – 30 days	16,074	26,820
31 – 60 days	5,499	7,090
61 – 90 days	1,666	3,718
Over 90 days	39,086	7,123
	<u>62,325</u>	<u>44,751</u>

13. BANK BORROWINGS AND OVERDRAFT

	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Secured and variable-rate bank borrowings	111,605	102,055
Unsecured and fixed-rate bank borrowings	4,588	6,865
Bank overdraft	8,369	–
	<u>124,562</u>	<u>108,920</u>
The carrying amounts are repayable*:		
Within one year	97,021	86,669
More than one year but not exceeding two years	4,377	4,373
More than two years but not exceeding five years	5,240	6,452
More than five years	9,555	11,426
	<u>116,193</u>	<u>108,920</u>

* The amounts due are based on scheduled repayment dates set out in the loan agreements. However, as all bank borrowings contained a repayable on demand clause and therefore all of the Group's bank borrowings are classified as current liabilities.

The above variable-rate bank borrowings bear interest ranging from HK\$ Best Lending Rate less a spread to Hong Kong Prime Rate plus a spread. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2022	2021
	(Unaudited)	(Audited)
Effective interest rate per annum:		
Fixed-rate bank borrowings	<u>4.36% to 5.06%</u>	<u>4.36% to 5.06%</u>
Variable-rate bank borrowings	<u>3.00% to 4.36%</u>	<u>1.88% to 4.49%</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a local contractor in the civil engineering construction industry and is principally engaged in the provision of site formation works, road and drainage works as well as structural works in both public and private sectors in Hong Kong. The Group is an approved contractor of the government of Hong Kong Special Administrative Region (the “**Government**”), a registered general building contractor and a specialist contractor (site formation works) with the Hong Kong Buildings Department.

The following table sets out the number of contracts awarded to and completed by the Group and the aggregate contract sum during the period under review:

	Number of Contracts	Aggregate contract sum^(Note) HK\$' million
As at 1 April 2021		
Existing contracts	47	1,110.7
During the year ended 31 March 2022		
Contracts completed	—	—
New contracts awarded	30	27.2
	<hr/>	<hr/>
As at 31 March 2022	77	1,137.9
	<hr/> <hr/>	<hr/> <hr/>

Note: The aggregate contract sum is based on a total of all contract sums stated in the initial agreements between the Group’s customers and the Group. It does not include additions and modifications due to subsequent variation orders. The final revenue recognised from a contract may differ from the contract sum initially agreed between the contracting parties.

During the year under review, COVID-19 continued to severely hit the local economy. Although there were signs of improvement in containing the coronavirus during the year in 2021, the situation suddenly turned worse since the end of 2021 with the outbreak of the fifth wave of COVID-19 pandemic. A number of infected cases have been reported at our head office of the Group in the first quarter of 2022. Also, there was a slow-down in construction progress of our construction projects as a result of COVID-19 and the margins of the projects were severely hit by the outbreak of COVID-19 with intense competition during the year under review. The prolonged outbreak of COVID-19 continues to bring uncertainties to the market and imposed negative impacts to the construction industry, including disruption to the supply chain, workforce shortages as a result of the illness and preventative quarantines, and suspension of construction works as a result of the measures imposed by the Government. In response, the management of the Group strengthened its preventive measures against COVID-19 to ensure all staff and workers were well protected against the infection of COVID-19 by providing a safe and healthy working environment.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$194.4 million, or 41.5%, from approximately HK\$468.6 million for the year ended 31 March 2021 to approximately HK\$274.3 million for the year ended 31 March 2022. Such decrease was primarily due to a slow-down in construction progress of our construction projects as a result of COVID-19.

Direct Costs

Direct costs primarily comprised subcontracting fee, direct labour cost, construction materials, rental of site equipment, depreciation of site equipment, petrol consumption as well as transportation expenses. Direct cost decreased by approximately HK\$192.7 million, or 43.0%, from approximately HK\$447.8 million for the year ended 31 March 2021 to approximately HK\$255.0 million for the year ended 31 March 2022. Such decrease was mainly due to the decrease in the materials consumption and transportation expenses incurred in our projects as a result of the corresponding decrease in revenue.

Gross Profit and Gross Profit Margin

As a result of the decrease in revenue and direct cost, the Group's gross profit decreased by approximately HK\$1.6 million, or 7.8%, from approximately HK\$20.8 million for the year ended 31 March 2021 to approximately HK\$19.2 million for the year ended 31 March 2022. Such decrease was due to increase in price of the construction materials, repair and maintenance costs in motor vehicles for our projects and subcontracting fees in some of our projects. Gross profit margin increased from 4.4% for the year ended 31 March 2021 to 7.0% for the year ended 31 March 2022. Such increase was attributable to the variation orders and additional ad-hoc works, which usually provide higher gross profit margin, were requested by main contractors during the year ended 31 March 2022.

Other Income

Other income for the year ended 31 March 2022 decreased by approximately HK\$20.1 million or 91.9% from approximately HK\$21.9 million for the year ended 31 March 2021 to approximately HK\$1.8 million for the year ended 31 March 2022. Such decrease was mainly due to the decrease in government subsidies received by the Company for the year ended 31 March 2022, as compared with a package of one-off subsidies granted from the government of Hong Kong during the year ended 31 March 2021.

Other Losses

Other losses increased by approximately HK\$5.1 million or 540.3% from approximately HK\$0.9 million for the year ended 31 March 2021 to approximately HK\$6.0 million for the year ended 31 March 2022. Such loss was mainly due to the loss on fair value of investment property during the year ended 31 March 2022.

Administrative Expenses

Administrative expenses decreased by approximately HK\$2.2 million or 13.6% from approximately HK\$16.2 million for the year ended 31 March 2021 to approximately HK\$14.0 million for the year ended 31 March 2022. The decrease was mainly due to decrease in the number of the assets held under hire purchase contracts during the year ended 31 March 2022..

Finance Costs

Finance costs decreased by approximately HK\$0.1 million or 3.5% from approximately HK\$4.3 million for the year ended 31 March 2021 to approximately HK\$4.2 million for the year ended 31 March 2022. The decrease was mainly due to the decrease in the number of staff during the year ended 31 March 2022.

Taxation

Taxation expenses decreased from approximately HK\$0.6 million for the year ended 31 March 2021 to approximately HK\$0.1 million for the year ended 31 March 2022. Such decrease was due to the decrease in assessable profits for the nine months ended 31 December 2021 as compared to the corresponding period of last year.

As a result of the above, the Group recorded a loss of approximately HK\$4.0 million for the year ended 31 March 2022, a decrease of HK\$24.6 million, or 119.4%, as compared to last year (year ended 31 March 2021: a profit of approximately HK\$20.6 million).

PROSPECT

The fluctuating entailments brought by the fifth wave of COVID-19 pandemic in the first half of year 2022 impacted not only the progress of the construction projects, but also logistics and delivery schedules of the construction materials. Also, with the additional costs for COVID-19 pandemic prevention and control measures, the business environment in which the Group operates will remain challenging.

Looking forward, the operating environment for the Group may remain challenging in the short term due to uncertainties from ongoing pandemic situation, intense competition with continuous cost increase of construction materials. Despite the worsened economic prospects, the Directors are relatively optimistic that the Group's construction business will remain robust and get back on track to grow with potentials, including the development of Tung Chung New Town Extension and the development of the northern part of Hong Kong as proposed by the Chief Executive in the 2021 Policy Address. In light of that, the Group continues to take measures to tighten cost control over various costs, particularly the costs of materials and petrol and the sub-contractor fees, with an aim to attain profitable and positive cash flow operations.

THE COVID-19 PANDEMIC'S IMPACT

The rapid spread of Delta and Omicron variants and the threat of new wave of infection have continuously expanded globally and the prevention and control measures to combat the disease have been continued to be implemented in Hong Kong. Further in the first quarter of 2022, suspension of work of some staff members in Hong Kong who had tested positive for COVID-19 and the related quarantine measures in Hong Kong, and the delay in sending and receiving necessary information and documents for the annual audit in a timely manner as some of the Group's suppliers are headquartered in Mainland China, as a result of tightened COVID-19 prevention measures in the PRC, leading to the delay in the publication of the audited annual results and the annual report. It is expected that the COVID-19 will continue to pose risks and uncertainties on the continual recovery of the construction industry and the business environment in which the Group operates will remain challenging. The Directors will continue to closely monitor the development of the COVID-19 pandemic and assess its impact on the financial position and operational results of the Group. In response, the management of the Group will continue to strengthen its preventive measurements against the COVID-19 to ensure all staff and workers are well protected against the infection of COVID-19 by providing them a safe and healthy working environment in order to mitigate the adverse impact of the COVID-19 pandemic on our business.

Liquidity and Financial Resources

During the year under review, the Group's source of funds was primarily from the cash generated from operating activities. The Group also utilised bank borrowings to finance its operations. As at 31 March 2022, the Group had a financial position with net assets amounted to approximately HK\$180.4 million (31 March 2021: approximately HK\$184.5 million). Net current assets stood at approximately HK\$70.0 million (31 March 2021: approximately HK\$68.3 million). As at 31 March 2022, the Shareholders' equity amounted to approximately HK\$180.4 million (31 March 2021: approximately HK\$184.5 million).

Current assets amounted to approximately HK\$278.6 million (31 March 2021: approximately HK\$252.3 million), mainly comprising trade and other receivables, contract assets, amount due from a joint operation, bank balances and cash (excluding pledged bank deposits of HK\$31.2 million which has been classified as non-current asset (31 March 2021: HK\$21.2 million)). Increase in current assets was mainly attributable to the increase in contract assets (works performed but not yet certified by architect) as at 31 March 2022.

Current liabilities amounted to approximately HK\$209.0 million (31 March 2021: approximately HK\$183.9 million), mainly comprising trade and other payables and accruals, contract liabilities, tax payable, bank borrowings and lease liabilities. Increase in current liabilities was mainly due to the increase in bank borrowings and bank overdrafts.

As at 31 March 2022, the Group's bank balances and cash (including pledged bank deposits of approximately HK\$31.2 million) amounted to approximately HK\$32.9 million (31 March 2021: approximately HK\$43.6 million). Net asset value per Share was HK\$0.45 as at 31 March 2022 (as at 31 March 2021: HK\$0.46).

As at 31 March 2022, the gearing ratio of the Group, which is based on the ratio of interest bearing borrowings, obligations under finance leases and lease liabilities to total equity, was 70.5% (31 March 2021: 65.2%). The unutilised bank facilities was amounted to approximately HK\$4.98 million as at 31 March 2022.

As the Company is listed on the GEM of the Stock Exchange, the Group's source of funds can further be satisfied by using a combination of cash generated from operating activities, bank loans and other fund raised from the capital markets from time to time.

Capital Structure

As at 31 March 2022, the share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of borrowings from banks, lease liabilities and equity attributable to owners of the Group, comprising issued share capital, share premium, retained profits and other reserves. Borrowings from banks were mainly denominated in Hong Kong dollars and were secured by pledged bank deposits and investment property.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended 31 March 2022, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

Significant Investments Held

As at 31 March 2022, the Group did not have any significant investments held (31 March 2021: nil).

Charges on the Group's Assets

As at 31 March 2022, the Group's property, plant and equipment and right-of-use assets with an aggregate carrying amount of approximately HK\$52.7 million (31 March 2021: approximately HK\$57.9 million) was pledged to finance equipment purchases, while investment property of approximately HK\$12.1 million (31 March 2021: approximately HK\$12.4 million) and bank deposits of approximately HK\$31.2 million (31 March 2021: approximately HK\$21.2 million) were pledged to secure bank borrowings for financing the Group's operating activities.

Foreign Exchange Exposure

The Group's operating activities such as revenue, direct costs, expenses, monetary assets and liabilities are all transacted and denominated in Hong Kong dollars. The Group currently has no foreign currency hedging policy as the exposure to foreign exchange risk is rare. Nevertheless, the Group will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As at 31 March 2022, the Group did not have any material contingent liabilities (31 March 2021: nil).

Capital Commitment

As at 31 March 2022, the Group did not have any significant capital commitment (31 March 2021: nil).

Future Plans for Material Investments and Capital Assets

The Group did not have other plan for material investments and capital assets.

Employees and Remuneration Policies

As at 31 March 2022, the Group had a total staff (including the Directors) of approximately 218 employees (as at 31 March 2021: 450). Total staff cost including Directors' remuneration for the year ended 31 March 2022 amounted to approximately HK\$134.0 million (for the year ended 31 March 2021: approximately HK\$162.9 million). The remuneration package offered by the Group to its employees includes salaries and discretionary bonuses. In general, the Group determines employee salaries based on individual employee's qualifications, position and seniority. Employees performance will be assessed annually, which forms the basis of the Group's decisions with respect to salary increment, discretionary bonuses and promotions.

EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events after the end of the reporting period and up to the date of this announcement.

OTHER INFORMATION

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2022 (year ended 31 March 2021: nil).

CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group would help to balance the interest of the Shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner.

During the year ended 31 March 2022, the Company has complied with the code provisions of the CG Code as set out in Appendix 15 of the GEM Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company, having made specific enquiry of all Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the year ended 31 March 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2022, the Company did not redeem any of its Shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company’s Shares.

SHARE OPTION SCHEME

The share option scheme of the Company (the “**Share Option Scheme**”) was adopted under the written resolutions of the shareholders of the Company passed on 24 January 2018. No share option has been granted under the Share Option Scheme since its adoption.

COMPETITION AND CONFLICT OF INTERESTS

As far as the Directors are aware of, none of the Directors nor the controlling shareholders nor any of their respective associates (as defined in the GEM Listing Rules) had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group or had any other conflict of interests with the Group during the year ended 31 March 2022.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “**Annual General Meeting**”) is scheduled to be held on Friday, 26 August 2022. A notice convening the Annual General Meeting will be issued and dispatched to the Shareholders in due course.

AUDIT COMMITTEE AND REVIEW OF UNAUDITED ANNUAL RESULTS

The Board has established an audit committee (the “**Audit Committee**”) on 24 January 2018, which operates under terms of reference approved by the Board. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the policies of the Group, and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Wong Choi Chak, Dr. Wong Kwok Yiu Chris and Mr. Leung Kim Hong. Mr. Wong Choi Chak, who has the appropriate accounting and financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules, is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited annual results of the Group for the year ended 31 March 2022 and discussed with the management of the Company the accounting principles and practices adopted by the Group as well as internal controls and other financial reporting matters. The Audit Committee is of the opinion that the unaudited annual results contained herein have been prepared in compliance with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

The audit procedures for the Audited Annual Results have not been completed mainly due to the COVID 19 pandemic in Hong Kong. The unaudited annual results contained herein have not been agreed with the Group’s auditors as required under the GEM Listing Rules. An announcement relating to the audited results will be made when the audit procedures have been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

FURTHER ANNOUNCEMENT(S)

Following the completion of the audit procedures, the Company will issue further announcement(s) in relation to the Audited Annual Results as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material developments upon completion of the audit procedures. The Company expects the audit procedures will be completed on or before 19 July 2022, and the publication of the Audited Annual Results and the publication and despatch of the Annual Report will be delayed to a date falling on or before 19 July 2022 and 26 July 2022, respectively.

PUBLICATION OF UNAUDITED ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This unaudited announcement is published on the websites of GEM (www.hkgem.com) and the Company (www.smcl.com.hk). The annual report of the Company for the year ended 31 March 2022 containing all the information required by the GEM Listing Rules will be dispatched to the Shareholders after the completion of the audit procedures and will be available on the websites of GEM and the Company in due course.

The financial information of the Group for the year ended 31 March 2022 contained herein in respect of the annual results of the Group for the year ended 31 March 2022 have not been audited and have not been agreed with the Company's auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Sheung Moon Holdings Limited
Tang Sze Wo
Chairman

Hong Kong, 30 June 2022

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Tang Sze Wo, Mr. Lai Yung Sang and Mr. Tang Siu Tim and three independent non-executive Directors, namely Dr. Wong Kwok Yiu Chris, Mr. Wong Choi Chak and Mr. Leung Kim Hong.

This announcement will remain on the "Latest Listed Company Information" page on the GEM website at www.hkgem.com for at least 7 days from the day of its posting. This announcement will also be published on the Company's website at www.smcl.com.hk.