

智城發展控股有限公司

SMART CITY DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8268

FIRST QUARTERLY REPORT 2021



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FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 30 June 2021 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 June 2021

		(Unaudited)	
		Three months ended	
		30 June	
		2021	2020
	Notes	HK\$'000	HK\$'000
REVENUE	4	74,034	78,433
Cost of sales		(62,688)	(70,541)
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Gross profit		11,346	7,892
Other income and gains	4	225	446
Administrative expenses		(9,005)	(7,876)
Other operating income, net		75	100
Finance costs	6	(202)	(17)
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PROFIT BEFORE TAX	5	2,439	545
Income tax	7	—	—
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PROFIT FOR THE PERIOD		2,439	545
<hr/>			
Attributable to:			
Owners of the Company		2,702	588
Non-controlling interests		(263)	(43)
<hr/>			
		2,439	545
<hr/>			
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE			
COMPANY	8		
Basic		HK1.35 cent	HK0.29 cent (restated)
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Diluted		HK1.35 cent	HK0.29 cent (restated)
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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2021

	(Unaudited)	
	Three months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	2,439	545
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations, net of tax	(479)	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,960	545
Attributable to:		
Owners of the Company	2,415	588
Non-controlling interests	(455)	(43)
	1,960	545

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2021

	Attributable to owners of the Company									
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Property revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2020 (audited)	25,000	9,381	(5,372)	14,580	3,367	5,581	53,644	106,181	(9,154)	97,027
Profit for the period and total comprehensive income/(loss) for the period	—	—	—	—	—	—	588	588	(43)	545
Release of property revaluation reserve	—	—	—	(117)	—	—	117	—	—	—
At 30 June 2020	25,000	9,381	(5,372)	14,463	3,367	5,581	54,349	106,769	(9,197)	97,572
At 1 April 2021 (audited)	25,000	9,381	(5,372)	16,511	1,803	1,409	68,143	116,875	(11,151)	105,724
Profit for the period and total comprehensive income/(loss) for the period	—	—	—	—	(287)	—	2,702	2,415	(455)	1,960
Release of property revaluation reserve	—	—	—	(124)	—	—	124	—	—	—
At 30 June 2021	25,000	9,381	(5,372)	16,387	1,516	1,409	70,969	119,290	(11,606)	107,684



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Smart City Development Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law (as revised) (now known as the Companies Act (2021 Revision)) of the Cayman Islands as an exempted company with limited liability on 18 July 2014. The principal place of business of the Company is located at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally involved in the following activities: (i) construction business, as a main contractor, interior fitting-out works, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, Mainland China and Macau, and other construction related business; (ii) investment in securities; (iii) property investment; and (iv) money lending business.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the Reporting Period have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and with the applicable the disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”). They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

2. BASIS OF PREPARATION (Continued)

The accounting policies adopted in preparing the unaudited condensed consolidated financial results for the Reporting Period are consistent with those adopted in the audited consolidated financial statements for the year ended 31 March 2021.

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

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

The adoption of these new and amendments to HKFRSs has had no material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not early adopted any new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four (three months ended 30 June 2020: four) reportable operating segments as follows:

- (a) the construction business segment is engaged in construction contract works, as a main contractor, interior fitting-out works, as well as the provision of electrical and mechanical engineering services;
- (b) the securities investment segment is engaged in investment in securities;
- (c) the property investment business segment is engaged in the holding of investment properties; and
- (d) the money lending business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income included in "other income and gains", finance costs as well as head office and corporate expenses are excluded from such measurement.

3. OPERATING SEGMENT INFORMATION (Continued)

For the three months ended 30 June

	Construction business		Securities investment		Property investment		Money lending business		Total	
	(unaudited) 2021	(unaudited) 2020	(unaudited) 2021	(unaudited) 2020	(unaudited) 2021	(unaudited) 2020	(unaudited) 2021	(unaudited) 2020	(unaudited) 2021	(unaudited) 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Income from external customers	68,104	76,767	5,525	1,506	153	20	252	140	74,034	78,433
Other income and gains	152	45	—	—	—	—	—	—	152	45
	68,256	76,812	5,525	1,506	153	20	252	140	74,186	78,478
Segment results:										
Operating profit/(loss)	(2,256)	(851)	5,525	1,506	(68)	6	138	50	3,339	711
<i>Reconciliation:</i>										
Interest income									72	401
Unallocated expenses									(770)	(650)
Finance costs									(202)	(17)
Profit before tax									2,439	545
Other segment information:										
Reversal of impairment of accounts receivable, net	(72)	(105)	—	—	—	—	—	—	(72)	(105)
(Gain)/loss on disposal of items of property, plant and equipment	(4)	5	—	—	—	—	—	—	(4)	5
Amortisation of an intangible asset	—	—	—	—	—	—	11	11	11	11
Depreciation of property, plant and equipment	268	253	—	—	—	—	—	—	268	253
Interest on lease liabilities	18	15	—	—	—	—	—	1	18	16

Geographical information

Revenue from external customers

	(Unaudited)	
	Three months ended 30 June 2021	2020
	HK\$'000	HK\$'000
Hong Kong	60,263	66,717
Mainland China	13,771	11,716
	74,034	78,433

The revenue information above is based on the locations of the operations.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	(Unaudited)	
	Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Income from the construction contracting and related businesses	68,104	76,767
Revenue from other sources		
Fair value gain on financial assets at fair value through profit or loss, net	5,387	1,393
Dividend income from equity investments at fair value through profit or loss	44	16
Interest income on debt investments at fair value through profit or loss	94	97
Interest income on loans receivable	252	140
Gross rental income	153	20
	74,034	78,433

Revenue from contracts with customers

(i) Disaggregated revenue information

	(Unaudited)	
	Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Types of goods or services		
Building construction works	18,160	14,814
Electrical and mechanical engineering works	35,780	39,570
Fitting-out works	14,164	22,383
Total revenue from contracts with customers transferred over time	68,104	76,767

For the Reporting Period, the revenue generated from contracts with customers of HK\$68,104,000 is the same as the amounts of income generated from external customers under the construction business segment.

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligation

Information about the Group's performance obligation is summarised below:

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 14 days to 90 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Other income and gains

An analysis of other income and gains is as follows:

	(Unaudited)	
	Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Other income and gains		
Interest income	72	401
Others	153	45
	<hr/>	<hr/>
	225	446
	<hr/>	<hr/>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	(Unaudited)	
	Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Cost of construction contracting	62,688	70,541
Depreciation of property, plant and equipment	268	253
Amortisation of an intangible asset	11	11
Lease payments not included in the measurement of lease liabilities	982	814
Rental income on investment properties	(153)	(20)
Less: outgoings	11	5
	<hr/>	<hr/>
Net rental income	(142)	(15)
Employee benefit expense (including directors' remuneration):		
Wages, salaries and allowances	7,550	7,119
Pension scheme contributions*	208	154
Less: Amount included in cost of construction contracting	(2,115)	(2,414)
	<hr/>	<hr/>
	5,643	4,859
(Gain)/loss on disposal of items of property, plant and equipment [^]	(4)	5
Reversal of impairment of accounts receivable, net [^]	(72)	(105)
Foreign exchange differences, net [^]	—	—
	<hr/>	<hr/>

* At 30 June 2021, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (31 March 2021: Nil).

[^] These amounts are included in "Other operating income, net" on the face of the condensed consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	(Unaudited)	
	Three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interest on lease liabilities	18	16
Interest on bank and other borrowings	184	132
Less: Interest capitalised	—	(131)
	<hr/>	<hr/>
	202	17
	<hr/>	<hr/>

7. INCOME TAX

Hong Kong profits tax had been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the three months ended 30 June 2021 and 2020, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during that period or the Group's subsidiaries had available tax losses brought forward from prior years to offset the assessable profits generated during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Subsequent to the end of the reporting period, on 28 April 2021, the shareholders of the Company (the “**Shareholders**”) approved an ordinary resolution to consolidate the shares of the Company on the basis that every five issued and unissued of the then-existing shares of HK\$0.025 each in the share capital of the Company were consolidated into one share of HK\$0.125 each (the “**Share Consolidation**”) with the Company’s authorised shares changed from 4,000,000,000 shares of HK\$0.025 each to 800,000,000 shares of HK\$0.125 each. The Share Consolidation became effective on 28 April 2021.

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 200,000,000 (2020: 200,000,000) in issue during the year, as adjusted to reflect the Share Consolidation on 28 April 2021. The Group had no potentially diluted ordinary shares in issue during the three months ended 30 June 2021.

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	(Unaudited)	
	Three months ended 30 June	
	2021	2020
	HK\$’000	HK\$’000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	2,702	588

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

(Unaudited)
Three months ended 30 June
2021 2020

Shares

Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*

<u>200,000,000</u>	200,000,000
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- * On 28 April 2021, the Shareholders approved an ordinary resolution to consolidate the shares of the Company on the basis that every five issued and unissued the then-existing shares of HK\$0.025 each in the share capital of the Company were consolidated into one share of HK\$0.125 each with the Company's authorised shares changed from 4,000,000,000 shares of HK\$0.025 each to 800,000,000 shares of HK\$0.125 each. The Share Consolidation became effective on 28 April 2021.

9. DIVIDEND

The Board does not recommend the payment of any interim dividend for the Reporting Period (three months ended 30 June 2020: Nil).

10. SHARE CAPITAL

Shares

	(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 March 2021 HK\$'000
Authorised:		
800,000,000 ordinary shares of HK\$0.125 each*	100,000	100,000
Issued and fully paid:		
200,000,000 ordinary shares of HK\$0.125 each*	25,000	25,000

- * On 28 April 2021, the Shareholders approved an ordinary resolution to consolidate the share of the Company on the basis that every five issued and unissued the then-existing shares of HK\$0.025 each in the share capital of the Company into one share of HK\$0.125 each with the Company's authorised shares changed from 4,000,000,000 shares of HK\$0.025 each to 800,000,000 shares of HK\$0.125 each. The Share Consolidation became effective on 28 April 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group's principal businesses are: (i) acting as a contractor in the building industry operating in Hong Kong, the People's Republic of China (the "PRC") and Macau, where we provide one-stop comprehensive services with the following three major types of services: (a) building construction works and related businesses; (b) electrical and mechanical engineering ("E&M") works; and (c) alterations, addition, renovation, refurbishment and fitting-out works ("**Interior fitting-out works**"); (ii) investment in securities, where the Group invests in long term and short term investments in marketable securities; (iii) property investment in Hong Kong, where the Group acquires properties in Hong Kong and earns rental income; and (iv) money lending business.

The Group's revenue for the Reporting Period recorded at approximately HK\$74,035,000, which represented a decrease of approximately 6% from approximately HK\$78,433,000 for the three months ended 30 June 2020. For the construction business segment, revenue for the Reporting Period amounted to approximately HK\$68,104,000, which represented a decrease of approximately 11% from approximately HK\$76,767,000 for the three months ended 30 June 2020. For securities investment segment, revenue for the Reporting Period recorded at a gain of approximately HK\$5,525,000, which represented an increase of approximately 267% from a gain of approximately HK\$1,506,000 for the three months ended 30 June 2020. For property investment segment, revenue for the Reporting Period amounted to approximately HK\$153,000, which represented an increase of approximately 665% from approximately HK\$20,000 for the three months ended 30 June 2020. For money lending business segment, revenue for the Reporting Period recorded at approximately HK\$252,000, which represented an increase of approximately 80% from approximately HK\$140,000 for the three months ended 30 June 2020.

(i) Construction Segment

(a) *Building construction works and related businesses:*

For the Reporting Period, revenue recorded at this section amounted to approximately HK\$18,160,000 (2020: HK\$14,814,000). The increase of approximately 23% was mainly due to the increase in the revenue recognition for the demolition, site formation and foundation works at Bowen Road.



(b) E&M works:

For the Reporting Period, revenue recorded from this section amounted to approximately HK\$35,780,000 (2020: HK\$39,570,000).

The decrease by approximately 10% was mainly due to less revenue recognition during the Reporting Period of the projects which were almost completed including triennial term contract for the maintenance and repair of, alterations and additions to fire services installations for Health Services Building in Hong Kong Region and Outlying Islands, replacement of automatic fire alarm system in Pamela Youde Nethersole Eastern Hospital and term contract for Building Services Works at Sogo Department Store, Causeway Bay and Tsim Sha Tsui, Hong Kong.

The above decrease was partially offset by the additional revenue generated for the projects namely triennial term contract for operation and maintenance of air-conditioning installations at Attended Municipal Venues in Hong Kong Region and electrical and fire services installations for construction of two 30-classroom primary schools at Queen's Hill, Fanling.

(c) Interior fitting-out works:

For the Reporting Period, revenue recorded from this section amounted to approximately HK\$14,165,000 (2020: HK\$22,383,000).

The decrease by 37% was mainly due to the interior fitting-out works at House A and House C at Stubbs Road, Hong Kong had generated more revenue in the last reporting period which were almost completed in March 2021.



(ii) Securities Investment segment

For the Reporting Period, gain recorded from this segment amounted to approximately HK\$5,525,000 (three months ended 30 June 2020: approximately HK\$1,506,000).

As at 30 June 2021, the Group managed a portfolio of listed equity investments and unlisted debt investments with an aggregate fair value of approximately HK\$26 million (31 March 2021: approximately HK\$29 million) which are classified as financial assets at fair value through profit or loss.

During the Reporting Period, the Group recorded (i) unrealised gain on fair value change of listed equity investments of approximately HK\$2,308,000 (three months ended 30 June 2020: loss of HK\$170,000) and unrealised gain on fair value change of unlisted debt investments of approximately HK\$5,000 (three months ended 30 June 2020: HK\$453,000); (ii) a realised gain of approximately HK\$3,074,000 (three months ended 30 June 2020: approximately HK\$1,110,000); (iii) interest income received from unlisted debt investments of approximately HK\$94,000 (three months ended 30 June 2020: HK\$97,000); and (iv) dividend income received from equity investments of approximately HK\$44,000 (three months ended 30 June 2020: HK\$16,000). Details of the marketable securities are disclosed under the sub-section headed “**SIGNIFICANT INVESTMENTS**” in this section.

(iii) Property Investment Business Segment

For the Reporting Period, revenue generated from this segment amounted to approximately HK\$153,000 (three months ended 30 June 2020: approximately HK\$20,000). It was mainly attributable to rental income earned from the investment properties.

The Group’s existing property portfolio consists of commercial properties in Hong Kong which generate rental income.

(iv) Money Lending Business Segment

For the Reporting Period, revenue generated from this segment amounted to approximately HK\$252,000 (three months ended 30 June 2020: approximately HK\$140,000).

Basic earnings per share is HK1.35 cent for the Reporting Period.

Status of the legal case

References were made to the announcements of the Company dated 21 December 2017 and 2 February 2021. As stated in the announcement of the Company dated 2 February 2021, the Company has received a judgement in favour of Beijing Chang-de Architectural & Decoration Co., Limited (北京長迪建築裝飾工程有限公司) (“**Beijing Chang-de**”) on the suspected case of internet fraud which involved fraudulent transfers of funds of approximately HK\$22 million (approximately RMB19 million) from the bank account of Beijing Chang-de (the “**Legal Case**”) from the People’s Court in Chaoyang District, Beijing (the “**Judgement**”) rendered on 30 December 2020. Pursuant to the Judgement, Beijing Chang-de had claimed total damages of approximately RMB19 million from a former employee of Beijing Chang-de who has claimed to be deceived in the suspected case of internet fraud which involved fraudulent transfers of funds of approximately HK\$22 million (approximately RMB19 million). However, having considered, among others, the nature of works and experience of the defendant, the gravity of the mistake and the ability of the defendant to bear the loss, the People’s Court in Chaoyang District, Beijing has ordered that the defendant to (i) pay a principal amount of approximately RMB3,790,000 plus interest to Beijing Chang-de within 10 days after the delivery of the Judgement; and (ii) bear litigation costs and expenses of approximately RMB28,000 payable within 7 days after the delivery of the Judgement.

Beijing Chang-de was notified that an appeal has been filed by the defendant on 18 February 2021, the date of hearing is not yet fixed. Based on the information currently available, the Board of the Company expects that the Judgement will have no material impact on the overall financial or operating conditions of the Group.

On 10 August 2021, a direct wholly-owned subsidiary of the Company entered into a disposal agreement with an independent third party to sell its interest in Deson Construction Engineering Limited. Since Deson Construction Engineering Limited holds equity interest in Beijing Chang-de, upon the completion, the Group has ceased to have any interests in Beijing Chang-de and Beijing Chang-de will no longer be consolidated into the financial statements of the Company.


Financial review

Revenue

For the Reporting Period, the Group’s revenue amounted to approximately HK\$74 million, decreased by approximately 6% as compared to the last corresponding period. The decrease in revenue was mainly due to the decrease in revenue arising from the projects of the interior fitting-out works in Hong Kong.

Gross profit margin

Our gross profit increased from approximately HK\$7.9 million for the three months ended 30 June 2020 to approximately HK\$11.3 million for the Reporting Period. It represented an increase of approximately HK\$3.4 million or 43%.



During the three months ended 30 June 2021, the gross profit margin was approximately 15%, increased by 5 percentage points as compared to last reporting period's gross profit margin of approximately 10%. This was mainly because of the increase in gain incurred for the investment in marketable securities in this Reporting Period.

After excluding the portion of gross profit generated from the investment in marketable securities segment, property investment segment and money lending business segment, the gross profit margin for this Reporting Period was approximately 8%, the same as compared to last reporting period's 8%.

Other income and gains

Other income and gains decreased by approximately HK\$0.2 million or 50% from approximately HK\$0.4 million for the three months ended 30 June 2020 to approximately HK\$0.2 million for the Reporting Period. The decrease was mainly due to the decrease in interest income earned as less time deposits were placed during this Reporting Period.

Administrative expenses

Administrative expenses increased by approximately HK\$1.1 million or 18% from approximately HK\$7.9 million for the three months ended 30 June 2020 to approximately HK\$9.0 million for the Reporting Period. The increase was mainly due to the increase in staff costs during this Reporting Period.

Finance costs

Finance costs increased by approximately HK\$185,000 or 1,071% from approximately HK\$17,000 for the three months ended 30 June 2020 to approximately HK\$202,000 for the Reporting Period. The increase was mainly due to the increase in interest expense on short-term loans and no finance cost was capitalized in this Reporting Period.

Contingent liabilities

At the end of the Reporting Period, the Group had no significant contingent liabilities.


Commitments

At the end of the Reporting Period, the Group had no significant capital commitments.

Charges on group assets

The Group's banking facilities are secured by:

- (i) the pledge of the Group's leasehold land and buildings situated in Hong Kong of approximately HK\$21,038,000 (31 March 2021: HK\$21,200,000); and

- 
- (ii) the pledge of the Group's time deposits of approximately HK\$17,148,000 (31 March 2021: HK\$17,137,000).

Treasury policies

The Directors will continue to follow a prudent policy in managing its cash balances and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. Interests for the current bank borrowings were mainly on floating rate basis and the bank borrowings were principally denominated in Hong Kong dollars, hence, there was no significant exposure to foreign exchange rate fluctuations.

Exchange risk exposure

The Group is mainly exposed to Renminbi, which arises from relevant group entities' foreign currency denominated monetary assets and liabilities for the Group's operating activities.

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

Capital structure of the Group

On 12 March 2021, the Board proposed to implement the share consolidation on the basis that every five (5) issued and unissued Shares of par value of HK\$0.025 each in the share capital of the Company be consolidated into one (1) Consolidated Share of par value of HK\$0.125 each (the "**Share Consolidation**").

The authorised share capital of the Company was HK\$100,000,000 divided into 4,000,000,000 Shares of par value of HK\$0.025 each, of which 1,000,000,000 shares were issued. After the Share Consolidation becoming effective, the authorised share capital of the Company was HK\$100,000,000 divided into 800,000,000 Consolidated Shares of par value of HK\$0.125 each, of which 200,000,000 Consolidated Shares were issued. The resolution for the approval of the Share Consolidation was duly passed by the Company's shareholders at the extraordinary general meeting held on 26 April 2021. The Share Consolidation became effective on Wednesday, 28 April 2021. The details of the Share Consolidation were referred to the Company's announcements dated 12 March 2021, 26 April 2021 and 28 April 2021 and the Company's circular dated 1 April 2021.

Save as disclosed above, there was no change in capital structure of the Group during the period ended 30 June 2021.



Prospects


(i) *Construction business*

The Group will uphold an on-going parallel development of its construction business (including building construction, interior fitting-out works and E&M works) in the PRC, Hong Kong and Macau. To cope with the difficulties encountered in the construction and engineering industry, the Group has adopted a prudent strategy in project tendering.

With its proven track records and adequate expertise in the main contracting business, the Group was included in Building Category Group C of the “List of Approved Contractors for Public Works”, and Turn-key Interior Design and Fitting-out Works Category Group II of the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works” (“**List/Specialist List**”) under Development Bureau of the Government of the Hong Kong Special Administrative Region (the “**HKSAR**”); the Registered General Building Contractor, the Minor Works Class I Contractor, the Registered Specialist Contractor (Site Formation Works and Foundation Works Categories) under the Buildings Department of the Government of the HKSAR.

For the E&M works, the Group was included in 11 categories of the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works” under Development Bureau of the Government of the HKSAR; and the Registered Specialist Contractor (Ventilation) and Minor Works Class III Type E Contractor under the Buildings Department of the Government of the HKSAR.

The Group is able to take an active part in the construction business development.



During the Reporting Period, new projects such as triennial contract for maintenance and repair of, alteration, additional to, fire service installations in Municipal Venues for the Government of the Hong Kong Special Administrative Region were secured. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$1,245 million.

With the Group's proven track record, comprehensive services and numerous licences, permits and qualifications, the Directors believe that the Group could strengthen its position in the Hong Kong market and diversify its customer base particularly by attracting larger corporate customers and tenders for more capital intensive projects for such customers. The overall building and construction expenditure maintained its uptrend which was contributed by the growth in private building and construction position in Hong Kong to capture more sizeable and profitable projects as well as to further diversify the customer base by bidding works from more private residential developers. In addition, further opportunities may arise which include the promotion by the HK government in the widely adoption of modular integrated construction method ("**MiC**"), government enhancement work to combat COVID-19 pandemic and the recent development of the Greater Bay Area.

Regarding the licenses, permits and qualifications of the Group, they are all subject to the continued compliance with various standards relating to financial capability, expertise, past job reference, management and safety. The Development Bureau in recent years has gradually imposed additional requirements to some categories of work licenses which may be essential for retention in the List/Specialist List. The Group will certainly try its best endeavour to satisfy these additional requirements, so that the retention on the List/Specialist List will not be affected.

The Group operates under various licenses, permits and qualifications and the loss or failure to renew/retain any of these licenses, permits and qualifications could affect the Group's business.

Furthermore, with the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete with its competitors under such future challenges that are commonly faced by all competitors, and after obtaining adequate job reference for construction works, the Group will continue to pursue the following key business strategies: (i) further expand the Group's service scope by application for additional licences, permits or qualifications which may be required; (ii) exercise more caution when tendering for new construction contracts and continue to selectively undertake new contracts; and (iii) further strengthen the Group's construction department through recruiting additional qualified and experienced staff.



(ii) Securities investment business

Regarding the business in securities investment, the Group has set up a Treasury Management Committee (“**Treasury Management Committee**”) to implement on the Group’s behalf the investment policy and guidelines. The Treasury Management Committee comprises one chairman and two committee members (comprising two directors, including at least one executive director who acts as the investment manager). The Board has adopted cautious measures to manage this business activity aiming to generate additional investment return on available funds of the Group from time to time.

Despite the uncertainties in the global financial markets, the Group will continue to respond to the changing market environment and review its investment strategy regularly. The Group will also seek investment opportunities in listed securities and other financial products in Hong Kong and other recognised overseas financial markets with a view to generate additional income and enhance the capital use of the Group.

In view of the recent volatile and unstable condition of the economic environment, the Board will adopt a more cautious measures to manage the Group’s investment portfolio with an aim to provide positive return to the Group in the near future.

(iii) Property investment business

The Group’s investment property consisted of two commercial properties in Hong Kong. The Directors have determined that the investment properties were commercial properties, based on the nature, characteristics and risks of the properties. In view of the recent unstable condition of the economic environment, the Board will from time to time review the Group’s portfolio of investment properties.

(iv) Money lending business

The Group is engaged in money lending business through a wholly-owned subsidiary of the Company, which holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out money lending business in Hong Kong. The Group continued to make efforts to develop the money lending business. Even though the market of the money lending industry in Hong Kong has become increasingly competitive and uncertain in view of the external business environment, the Group believes that the money lending business will provide a positive impact and return to the Group.

SIGNIFICANT INVESTMENTS

As at 30 June 2021, the Group held equity and debt investments at fair value through profit or loss of approximately HK\$26 million. Details of the significant investments are as follows:

	Notes	Stock/ ISIN code	Place of incorporation	Unrealised fair value gain/ (loss) HK\$'000	Market value HK\$'000	Approximate percentage of equity investments at fair value through profit and loss %	Approximate percentage to the net assets of the Group %
Listed equity investments							
Hong Kong Education (Int'l) Investments Limited	1	1082	Incorporated in the Cayman Islands and continued in Bermuda	1,176.0	7,140.0	27.1	6.6
Individual investment less than 5% of net assets the Group				1,131.6	11,617.1	44.1	10.8
				2,307.6	18,757.1	71.2	17.4
Unlisted debt investments							
JPMorgan Asian Total Return Bond (Mth)	2	HK0000102936	Hong Kong	(41.2)	3,771.0	14.3	3.5
AB FCP I — American Income Portfolio (At USD)	3	LU0157308031	Luxembourg	46.4	3,813.5	14.5	3.5
				5.2	7,584.6	28.8	7.0
				2,312.8	26,341.7	100.0	24.4

Notes:

- Hong Kong Education (Int'l) Investments Limited is principally engaged in the provision of private educational services, investment in securities and money lending business. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$141,092,000 as at 31 December 2020.

2. The investment objective of the fund is to achieve a competitive total return, consisting of capital growth and regular dividend income, through an actively managed portfolio investing primarily in Asian bonds and other debt securities.
3. The portfolio seeks to provide a high level of current income consistent with preservation of capital by investing in a diversified portfolio of U.S. dollar-denominated fixed income securities. The portfolio invests solely in U.S. dollar-denominated fixed income securities, including investment grade and high yield, non-investment grade securities of issuers domiciled within and outside the U.S.


During the Reporting Period, the Group disposed certain investments in the market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$13 million, giving rise to a net gain of approximately HK\$3 million. Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds HK\$'000	Realised gain HK\$'000
Shun Wo Group Holdings Limited	1591	Cayman Islands	2,936	2,276
TOMO Holdings Limited	6928	Cayman Islands	797	574
Investments with individual realised gain/(loss) of less than HK\$500,000			9,050	224
			12,783	3,074

In view of the recent volatility and weakness in the stock market, the Board will adopt cautious measures to manage the Group's investment portfolio with an aim to provide positive return to the Group in the near future.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 August 2015 and the Stock Exchange granting approval of the listing of and permission to deal in the shares to be issued under the share option scheme (the "**Share Option Scheme**") on 11 August 2015, the Company has adopted the Share Option Scheme. Under the terms of the Share Option Scheme, the Board of the Company may, at its discretion, grant options to eligible participants to subscribe for shares in the Company. There was no share option outstanding under the Share Option Scheme as at 30 June 2020.



The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. An option may be exercised under the Scheme at any time during a period not exceeding 10 years after the date when the option is granted and will expire on the last date of such period.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share option was granted during the Reporting Period and there was no share option outstanding as at 30 June 2021.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2021, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within in the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of GEM Listing Rules.

As at 30 June 2021, none of the Directors nor the chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, so far as is known to the Directors, the persons (other than Directors or chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Energy Luck Limited	Beneficial owner	23,978,816	11.99%
Mr. Wong Kui Shing, Danny	Interest in controlled corporation (Note)	23,978,816	11.99%

Note: Energy Luck Limited is a company incorporated in the British Virgin Islands and is wholly owned by Mr. Wong Kui Shing, Danny. Mr. Wong Kui Shing, Danny is deemed to be interested in the shares beneficially owned by Energy Luck Limited.

Save as disclosed above, as at 30 June 2021, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESSES

During the Reporting Period and up to the date of this report, Mr. Wong Yuk Lun Alan has the following interests in the business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business:

Director	Name of company	Nature of business	Nature of interests
Mr. Wong Yuk Lun Alan	*NOVA Group Holdings Limited ("NOVA")	Money lending business	Executive director of NOVA

* listed on the Main Board of the Stock Exchange

As the Board is independent to the board of NOVA, the Group is capable of carrying on its business independently of, and at arm's length, from the business of NOVA.


Save as disclosed above, the Directors are not aware of any business and interest of the Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to a high standard of corporate governance practices in enhancing the confidence of shareholders, investors, employees, creditors and business partners and also the growth of its business. The Board has and will continue to review and improve the Company's corporate governance practices from time to time in order to increase its transparency and accountability to shareholders.



The Company has adopted the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules as its own corporate governance code. The Company has, so far as applicable, principally complied with the CG Code during the Reporting Period.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial control, internal control and risk management systems of the Group, and provide advice and comments on the Group’s financial reporting matters to the Board. As at the date of this report, the audit committee comprises three independent non-executive Directors, namely Mr. Wong Yuk Lun Alan, Mr. Lam Wai Hung and Ms. Au Shui Ming Anna.

The unaudited quarterly results of the Group for the Reporting Period have not been reviewed or audited by the Company’s independent auditor, but have been reviewed by the audit committee members who have provided advice and comments thereon.

EVENTS AFTER THE REPORTING PERIOD

On 10 August 2021, Latest Ventures Limited (“**LVL**”), a direct wholly-owned subsidiary of the Company, entered into a disposal agreement with an independent third party to sell 85.7% of the entire issued share capital (“**Sale Shares**”) of Deson Construction Engineering Limited (“**DCEL**”) together with all the loans due from DCEL to LVL (or its associates) at an aggregate consideration of HK\$2.0 million. The Sale Shares represent 85.7% of the issued share capital of DCEL, which in turn holds 70% equity interest in Beijing Chang-de Architectural & Decoration Co., Ltd. (“**Beijing Chang-de**”). Upon the completion, the Group has ceased to have any interests in DCEL and Beijing Chang-de (“**DCEL Group**”). As such, the financial results of DCEL Group will no longer be consolidated into the financial statements of the Company upon the completion. For details, please refer to the Company’s announcement dated 10 August 2021.

By order of the Board
Smart City Development Holdings Limited
Hung Kenneth
Executive Director

Hong Kong, 12 August 2021

As at the date of this report, the Board of Directors of the Company comprises Mr. Hung Kenneth and Ms. Lau Po Yee as executive Directors; Mr. Wong Yuk Lun Alan, Mr. Lam Wai Hung and Ms. Au Shui Ming Anna as independent non-executive Directors.