

# 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 2022



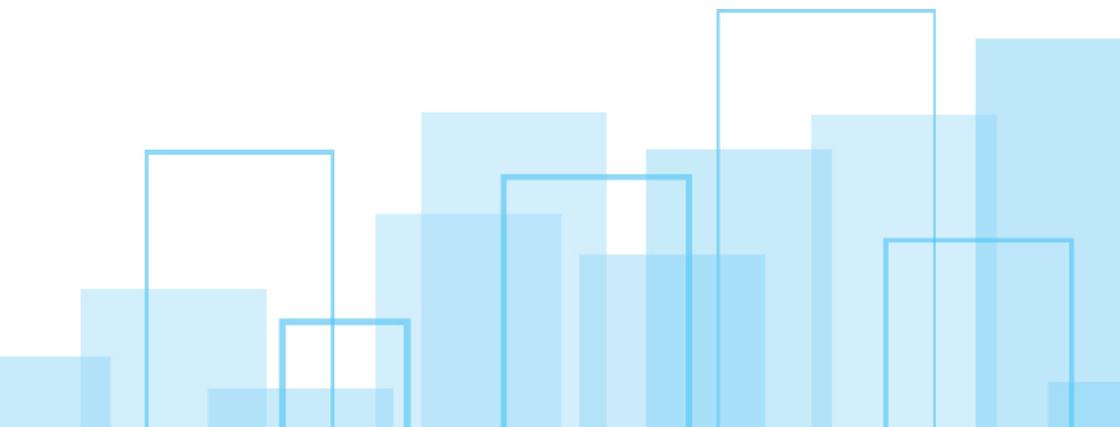
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*This report, for which the directors (the “**Directors**”) of Smart City Development Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.*



## 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 2022 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2021, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 June 2022

		(Unaudited) Three months ended 30 June	
	Notes	2022 HK\$'000	2021 HK\$'000
<b>REVENUE</b>	4	<b>68,762</b>	74,034
Cost of sales		<b>(63,399)</b>	(62,688)
		<b>5,363</b>	11,346
Gross profit			
Other income and gains	4	<b>436</b>	225
Administrative expenses		<b>(9,449)</b>	(9,005)
Other operating income, net		<b>(61)</b>	75
Finance costs	6	<b>(8)</b>	(202)
		<b>(3,719)</b>	2,439
<b>(LOSS)/PROFIT BEFORE TAX</b>	5		
Income tax	7	<b>—</b>	—
		<b>(3,719)</b>	2,439
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(3,719)</b>	2,439
Attributable to:			
Owners of the Company		<b>(3,719)</b>	2,702
Non-controlling interests		<b>—</b>	(263)
		<b>(3,719)</b>	2,439
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic		<b>HK(1.86) cent</b>	HK1.35 cent
Diluted		<b>HK(1.86) cent</b>	HK1.35 cent

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2022

	(Unaudited)	
	Three months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>(3,719)</b>	2,439
<b>OTHER COMPREHENSIVE LOSS</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations, net of tax	—	(479)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(3,719)</b>	1,960
Attributable to:		
Owners of the Company	<b>(3,719)</b>	2,415
Non-controlling interests	—	(455)
	<b>(3,719)</b>	1,960

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2022

	Attributable to owners of the Company									Non-controlling interests	Total equity
	Issued capital	Share premium	Contributed surplus	Property revaluation reserve	Exchange fluctuation reserve	Reserve funds	Retained profits	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	
At 1 April 2022 (audited)	25,000	9,381	(5,372)	15,976	—	—	85,386	130,371	—	130,371	
Loss for the period and total comprehensive loss for the period	—	—	—	—	—	—	(3,719)	(3,719)	—	(3,719)	
Release of property revaluation reserve	—	—	—	(141)	—	—	141	—	—	—	
At 30 June 2022	25,000	9,381	(5,372)	15,835	—	—	81,808	126,652	—	126,652	



# 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 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 2022.

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 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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 2021: 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) 2022	(unaudited) 2021	(unaudited) 2022	(unaudited) 2021	(unaudited) 2022	(unaudited) 2021	(unaudited) 2022	(unaudited) 2021	(unaudited) 2022	(unaudited) 2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>										
Income from external customers	67,190	68,104	747	5,525	153	153	672	252	68,762	74,034
Other income and gains	248	152	—	—	8	—	—	—	256	152
	<b>67,438</b>	<b>68,256</b>	<b>747</b>	<b>5,525</b>	<b>161</b>	<b>153</b>	<b>672</b>	<b>252</b>	<b>69,018</b>	<b>74,186</b>
<b>Segment results:</b>										
Operating profit/(loss)	(3,216)	(2,266)	747	5,525	(11)	(68)	332	138	(2,148)	3,339
<i>Reconciliation:</i>										
Interest income									180	72
Unallocated income									—	—
Unallocated expenses									(1,743)	(770)
Finance costs									(8)	(202)
(Loss)/profit before tax									<b>(3,719)</b>	<b>2,439</b>
<b>Other segment information:</b>										
Reversal of impairment of accounts receivable, net	(32)	(72)	—	—	—	—	—	—	(32)	(72)
(Gain)/loss on disposal of items of property, plant and equipment	93	(4)	—	—	—	—	—	—	93	(4)
Amortisation of an intangible asset	—	—	—	—	—	—	11	11	11	11
Depreciation of property, plant and equipment	285	268	—	—	44	—	181	—	510	268
Interest on lease liabilities	7	18	—	—	—	—	1	—	8	18

#### Geographical information

##### Revenue from external customers

	(Unaudited)	
	Three months ended 30 June 2022	2021
	HK\$'000	HK\$'000
Hong Kong	68,762	60,263
Mainland China	—	13,771
	<b>68,762</b>	<b>74,034</b>

The revenue information above is based on the locations of the operations. The decrease in revenue for Mainland China region was as a result of the disposal of the Group's PRC operation, 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 10 August 2021 where the revenue is no longer included into the Group's consolidated revenue after the completion date.

## 4. REVENUE, OTHER INCOME AND GAINS

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

	(Unaudited)	
	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
<b>Revenue from contracts with customers</b>		
Income from the construction contracting and related businesses	67,190	68,104
<b>Revenue from other sources</b>		
Fair value gain on financial assets at fair value through profit or loss, net	653	5,387
Dividend income from equity investments at fair value through profit or loss	—	44
Interest income on debt investments at fair value through profit or loss	94	94
Interest income on loans receivable	672	252
Gross rental income	153	153
	68,762	74,034

### Revenue from contracts with customers

#### (i) Disaggregated revenue information

	(Unaudited)	
	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
<b>Types of goods or services</b>		
Building construction works	26,205	18,160
Electrical and mechanical engineering works	40,186	35,780
Fitting-out works	799	14,164
	67,190	68,104
Total revenue from contracts with customers transferred over time	67,190	68,104

For the Reporting Period, the revenue generated from contracts with customers of HK\$67,190,000 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 contracting and other related 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	
	2022	2021
	HK\$'000	HK\$'000
<b>Other income and gains</b>		
Interest income	180	72
Government grants*	216	—
Others	40	153
	<hr/>	<hr/>
	436	225
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- \* The government grants are subsidy granted under the Employment Support Scheme of the Government of Hong Kong Special Administrative Region to retain employment and combat Covid-19. As at the end of the reporting period, there were no unfulfilled conditions or contingencies relating to these grants.

## 5. PROFIT BEFORE TAX

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

	(Unaudited)	
	Three months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Cost of construction contracting	63,399	62,688
Depreciation of property, plant and equipment	510	268
Amortisation of an intangible asset	11	11
Lease payments not included in the measurement of lease liabilities	972	982
Rental income on investment properties	(153)	(153)
Less: outgoings	14	11
Net rental income	(139)	(142)
Employee benefit expense (including directors' remuneration):		
Wages, salaries and allowances	7,544	7,550
Pension scheme contributions*	262	208
Less: Amount included in cost of construction contracting	(2,126)	(2,115)
	5,680	5,643
(Gain)/loss on disposal of items of property, plant and equipment	93	(4)
Reversal of impairment of accounts receivable, net	(32)	(72)

\* At 30 June 2022, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (31 March 2022: Nil).

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>(Unaudited)</b>	
	<b>Three months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on lease liabilities	<b>8</b>	18
Interest on bank and other borrowings	—	184
Less: Interest capitalised	—	—
	<hr/>	<hr/>
	<b>8</b>	202
	<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 2022 and 2021, 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. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 200,000,000 (2021: 200,000,000) in issue during the period. The Group had no potentially diluted ordinary shares in issue during the three months ended 30 June 2022.

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

	<b>(Unaudited)</b>	
	<b>Three months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(Loss)/earnings</b>		
(Loss)/profit attributable to ordinary equity holders of the Company, used in the basic (loss)/earnings per share calculation	<b>(3,719)</b>	2,702
	<hr/>	<hr/>
	<b>(Unaudited)</b>	
	<b>Three months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>200,000,000</b>	200,000,000
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## 9. DIVIDEND

The Board does not recommend the payment of any interim dividend for the Reporting Period (three months ended 30 June 2021: Nil).

## 10. SHARE CAPITAL

### Shares

	<b>(Unaudited)</b> <b>30 June</b> <b>2022</b> <b>HK\$'000</b>	(Audited) 31 March 2022 HK\$'000
Authorised:		
800,000,000 ordinary shares of HK\$0.125 each	<b>100,000</b>	100,000
Issued and fully paid:		
200,000,000 ordinary shares of HK\$0.125 each	<b>25,000</b>	25,000



## 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 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\$68,762,000, which represented a decrease of approximately 7% from approximately HK\$74,034,000 for the three months ended 30 June 2021. For the construction business segment, revenue for the Reporting Period amounted to approximately HK\$67,190,000, which represented a decrease of approximately 1% from approximately HK\$68,104,000 for the three months ended 30 June 2021. For securities investment segment, revenue for the Reporting Period recorded at a gain of approximately HK\$747,000, which represented a decrease of approximately 87% from a gain of approximately HK\$5,525,000 for the three months ended 30 June 2021. For property investment segment, revenue for the Reporting Period amounted to approximately HK\$153,000, which represented the same from approximately HK\$153,000 for the three months ended 30 June 2021. For money lending business segment, revenue for the Reporting Period recorded at approximately HK\$672,000, which represented an increase of approximately 167% from approximately HK\$252,000 for the three months ended 30 June 2021.

#### (i) Construction Segment

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

For the Reporting Period, revenue recorded at this section amounted to approximately HK\$26,205,000 (2021: HK\$18,160,000).

The increase of approximately 44% was mainly due to the increase in the revenue recognition for the main contractor work for a residential house including E&M works at Tai Mong Tsai, Sai Kung, New Territories and alterations and addition works for the interior layout and external areas of a residential house at Peak Road, Hong Kong which commenced work in late March 2022.

**(b) E&M works:**

For the Reporting Period, revenue recorded from this section amounted to approximately HK\$40,186,000 (2021: HK\$35,779,000).

The increase of approximately 12% was mainly due to the increase in the revenue recognition for the 18-month term contract for the maintenance and repair of, alterations and additions to fire services installations for Health Services Buildings in Hong Kong Region and Outlying Islands and triennial contract for maintenance and repair of, alteration, addition to, fire service installations in municipal venues for the Government of the Hong Kong Special Administrative Region.

**(c) Interior fitting-out works:**

For the Reporting Period, revenue recorded from this section amounted to approximately HK\$799,000 (2021: HK\$14,165,000).

The significant decrease by approximately 94% was mainly due to the disposal of the Group's PRC operation, through the disposal of "Beijing Chang-de" on 10 August 2021 where its revenue is no longer included into the Group's consolidated revenue after the completion date.

**(ii) Securities Investment segment**

For the Reporting Period, gain recorded from this segment amounted to approximately HK\$747,000 (three months ended 30 June 2021: approximately HK\$5,525,000).

As at 30 June 2022, the Group managed a portfolio of listed equity investments and unlisted debt investments with an aggregate fair value of approximately HK\$34 million (31 March 2022: approximately HK\$19 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\$1,358,000 (three months ended 30 June 2021: HK\$2,308,000), unrealised loss on fair value change of listed debt investments of approximately HK\$89,000 (three months ended 30 June 2021: Nil) and unrealised loss on fair value change of unlisted debt investments of approximately HK\$545,000 (three months ended 30 June 2021: gain of HK\$5,000); (ii) a realised loss of approximately HK\$71,000 (three months ended 30 June 2021: gain of approximately HK\$3,074,000); (iii) interest income received from unlisted debt investments of approximately HK\$94,000 (three months ended 30 June 2021: HK\$94,000); and (iv) no dividend income received from equity investments (three months ended 30 June 2021: HK\$44,000). 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 2021: approximately HK\$153,000). 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\$672,000 (three months ended 30 June 2021: approximately HK\$252,000).

Basic loss per share is HK1.86 cent for the Reporting Period.

## Financial review

### Revenue

For the Reporting Period, the Group's revenue amounted to approximately HK\$68.8 million, decreased by approximately 7% as compared to the last corresponding period. The decrease in revenue was mainly due to the disposal of the Group's PRC operation, "Beijing Chang-de" on 10 August 2021 where its revenue is no longer included into the Group's consolidated revenue after the completion date.

### Gross profit margin

Our gross profit decreased from approximately HK\$11.3 million for the three months ended 30 June 2021 to approximately HK\$5.3 million for the Reporting Period. It represented a decrease of approximately HK\$6 million or 53%.

During the three months ended 30 June 2022, the gross profit margin was approximately 8%, decreased by 7 percentage points as compared to last reporting period's gross profit margin of approximately 15%. This was mainly due to (i) the decrease in gain in the securities investment segment of approximately HK\$5.0 million, as compared to the three months ended 30 June 2021 mainly due to (a) the realised loss of approximately HK\$0.1 million recorded for the three months ended 30 June 2022 (three months ended 30 June 2021: gain of approximately HK\$3.1 million) and (b) the decrease in unrealised gain on fair value change of listed equity investments of approximately HK\$1.0 million; and (ii) the decrease in gross profit in the construction segment of approximately HK\$1.0 million, as compared to the three months ended 30 June 2021 mainly due to comparatively low gross profit margin procured in the more competitive building construction works and E&M works industry in Hong Kong in recent years, of overall 2.3% lower than last 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 6%, decreased by 2% as compared to last reporting period's 8%.

### **Other income and gains**

Other income and gains increased by approximately HK\$0.2 million or 94% from approximately HK\$0.2 million for the three months ended 30 June 2021 to approximately HK\$0.4 million for the Reporting Period. The increase was mainly due to the increase in government grants during the Reporting Period.

### **Administrative expenses**

Administrative expenses increased by approximately HK\$0.4 million or 5% from approximately HK\$9.0 million for the three months ended 30 June 2021 to approximately HK\$9.4 million for the Reporting Period. The increase was mainly due to the increase in legal and professional fee during this Reporting Period.

### **Finance costs**

Finance costs decreased by approximately HK\$194,000 or 96% from approximately HK\$202,000 for the three months ended 30 June 2021 to approximately HK\$8,000 for the Reporting Period. The decrease was mainly due to no interest expense incurred on short-term loans during 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\$20,117,000 (31 March 2022: HK\$20,300,000); and
- (ii) the pledge of the Group's time deposits of approximately HK\$17,159,000 (31 March 2022: HK\$17,157,000).

### **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

There was no change in capital structure of the Group during the period ended 30 June 2022.

## 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 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 i) replacement of air-conditioning system at Labour Tribunal Building and Lands Tribunal Building; ii) replacement of air-conditioning system at Aberdeen Tunnel; and iii) replacement of air-conditioning equipment in Municipal Venues in Sham Shui Po District were secured. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$889 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 2022, the Group held equity and debt investments at fair value through profit or loss of approximately HK\$34 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 %
<b>Listed equity investments</b>							
Cornerstone Financial Holdings Ltd.	1	8112	Cayman Islands	2,935.8	6,390.0	18.6	5.0
Individual investment less than 5% of net assets the Group				(1,578.1)	15,842.5	46.1	12.5
				1,357.7	22,232.5	64.7	17.5
<b>Listed debt investments</b>							
The Govt of the HKSAR of the PRC Retail Green Bonds Due 2025	2	04252	Hong Kong	(89.3)	5,919.0	17.2	4.7
<b>Unlisted debt investments</b>							
JPMorgan Asian Total Return Bond (Mth)	3	HK0000102936	Hong Kong	(238.8)	3,050.6	8.9	2.4
AB FCP I — American Income Portfolio (At USD)	4	LU0157308031	Luxembourg	(305.8)	3,162.8	9.2	2.5
				(544.6)	6,213.4	18.1	4.9
				723.8	34,364.9	100.0	27.1

Notes:

1. Cornerstone Financial Holdings Limited, formerly Focus Media Network Limited, is a Hong Kong-based investment holding company principally engaged in the media and entertainment businesses. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net assets value of approximately HK\$170,648,832 as at 31 December 2021.
2. The Govt of the HKSAR of the PRC Retail Green Bonds Due 2025 is a listed debt investment. The proceeds raised is credited to the Capital Works Reserve Fund to finance or refinance green projects that provide environmental benefits and support the sustainable development of Hong Kong. The tenor of the Government retail green bonds will be three years, with semi-annual interest payments linked to inflation in Hong Kong (minimum interest rate of 2.5%).
3. 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.
4. 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\$0.3 million, giving rise to a net loss of approximately HK\$71,000. Details of the transactions are as follows:

	<b>Sales proceeds</b>	<b>Realised loss</b>
	HK\$'000	HK\$'000
Investment with individual realised gain/(loss) of less than HK\$500,000	298	(71)

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 2022.

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 Share Option 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 Share Option 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 2022.

## **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 2022, 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 2022, 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 2022, 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 1)	23,978,816	11.99%
Masan Multi Strategy Fund SPC — Masan HK Equity Fund SP	Beneficial owner	34,171,200	17.08%
Masan Capital Limited	Investment manager (Note 2)	34,171,200	17.08%
Top Lion International Limited	Interest of a controlled corporation (Note 2)	34,171,200	17.08%

Notes:

- (1) Energy Luck Limited is a company incorporated in the British Virgin Islands ("**BVI**") and is wholly owned by Mr. Wong Kui Shing, Danny. By virtue of the SFO, Mr. Wong Kui Shing, Danny is deemed to be interested in the shares beneficially owned by Energy Luck Limited.
- (2) Masan Multi Strategy Fund SPC — Masan HK Equity Fund SP ("**Masan Fund**") holds a total of 30,003,200 Shares. Masan Fund is managed by Masan Capital Limited in its capacity as an investment manager, which in turn is wholly-owned by Top Lion International Limited, a company incorporated in the BVI ("**Top Lion**"). Therefore, Top Lion is deemed, or taken to be, interested in all the Shares held by Masan Fund by virtue of the SFO

Save as disclosed above, as at 30 June 2022, 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 11 August 2022, Latest Ventures Limited ("**Latest Ventures**"), a direct wholly-owned subsidiary of the Company, entered into a subscription agreement ("**Subscription Agreement**") with an independent third party ("**Issuer**"), pursuant to which Latest Ventures has conditionally agreed to subscribe for, and the Issuer has conditionally agreed to issue the bonds in the aggregate principal amount of HK\$20,000,000. Pursuant to the Subscription Agreement, the bonds in the aggregate principal amount of HK\$20,000,000 with a coupon rate of 7% per annum due on 21 August 2024 will be issued by the Issuer on or before 22 August 2022. For details, please refer to the Company's announcement dated 11 August 2022.

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

Hong Kong, 12 August 2022

*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.*