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SMART CITY DEVELOPMENT HOLDINGS LIMITED

智城發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8268)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

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

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

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

*This announcement, for which the directors (the “**Directors**”) of 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

INTERIM 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 six months ended 30 September 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 six months ended 30 September 2021

	Note	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
REVENUE	4	92,621	108,606	166,655	187,039
Cost of sales		(85,892)	(99,823)	(148,580)	(170,364)
Gross profit		6,729	8,783	18,075	16,675
Other income and gains	4	209	1,846	434	2,292
Administrative expenses		(4,388)	(8,865)	(13,393)	(16,741)
Gain on disposal of subsidiaries	14	3,216	—	3,216	—
Other operating income, net		16	1,600	91	1,700
Finance costs	6	(15)	(116)	(217)	(133)
PROFIT BEFORE TAX	5	5,767	3,248	8,206	3,793
Income tax expense	7	—	(86)	—	(86)
PROFIT FOR THE PERIOD		5,767	3,162	8,206	3,707
Attributable to:					
Owners of the Company		5,775	3,284	8,477	3,872
Non-controlling interests		(8)	(122)	(271)	(165)
		5,767	3,162	8,206	3,707
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8				
Basic		HK2.89 cent	HK1.64 cent (restated)	HK4.24 cent	HK1.94 cent (restated)
Diluted		HK2.89 cent	HK1.64 cent (restated)	HK4.24 cent	HK1.94 cent (restated)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2021

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE PERIOD	<u>5,767</u>	<u>3,162</u>	<u>8,206</u>	<u>3,707</u>
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/ (loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	43	(195)	(436)	(195)
Reclassification adjustments for a foreign operation disposed of during the period	14 <u>(1,541)</u>	<u>—</u>	<u>(1,541)</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>4,269</u>	<u>2,967</u>	<u>6,229</u>	<u>3,512</u>
Attributable to:				
Owners of the Company	4,260	3,373	6,674	3,961
Non-controlling interests	<u>9</u>	<u>(406)</u>	<u>(445)</u>	<u>(449)</u>
	<u>4,269</u>	<u>2,967</u>	<u>6,229</u>	<u>3,512</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		30 September 2021	31 March 2021
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		57,376	55,731
Investment properties		23,320	23,270
Intangible asset		371	394
Prepayments		—	450
		81,067	79,845
TOTAL non-current assets			
		81,067	79,845
CURRENT ASSETS			
Loans receivable		5,695	12,803
Accounts receivable	10	12,100	25,268
Prepayments, deposits and other receivables		22,275	72,686
Contract assets		50,835	91,510
Financial assets at fair value through profit or loss	11	27,018	28,906
Tax recoverable		—	1
Pledged deposits		17,150	17,137
Cash and cash equivalents		108,433	61,969
		243,506	310,280
TOTAL current assets			
		243,506	310,280
CURRENT LIABILITIES			
Accounts payable	12	11,776	47,205
Other payables and accruals		131,220	158,060
Contract liabilities		49,465	62,990
Lease liabilities		436	659
Tax payable		1,533	2,987
Interest-bearing bank borrowings		5,509	11,013
		199,939	282,914
TOTAL current liabilities			
		199,939	282,914
NET CURRENT ASSETS			
		43,567	27,366
TOTAL ASSETS LESS CURRENT LIABILITIES			
		124,634	107,211

		30 September 2021	31 March 2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		493	895
Deferred tax liabilities		592	592
		<hr/>	<hr/>
Total non-current liabilities		1,085	1,487
		<hr/>	<hr/>
Net assets		123,549	105,724
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	25,000	25,000
Reserves		98,549	91,875
		<hr/>	<hr/>
		123,549	116,875
Non-controlling interests		<hr/>	<hr/>
		—	(11,151)
		<hr/>	<hr/>
Total equity		123,549	105,724
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2021

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Contributed surplus	Property revaluation reserve	Exchange fluctuation reserve	Reserve funds	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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/(loss) for the period	—	—	—	—	—	—	3,872	3,872	(165)	3,707
Other comprehensive income/(loss) for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	89	—	—	89	(284)	(195)
Total comprehensive income/(loss) for the period	—	—	—	—	89	—	3,872	3,961	(449)	3,512
Release of revaluation reserve	—	—	—	(233)	—	—	233	—	—	—
At 30 September 2020 (unaudited)	<u>25,000</u>	<u>9,381</u>	<u>(5,372)</u>	<u>14,347</u>	<u>3,456</u>	<u>5,581</u>	<u>57,749</u>	<u>110,142</u>	<u>(9,603)</u>	<u>100,539</u>
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/(loss) for the period	—	—	—	—	—	—	8,477	8,477	(271)	8,206
Other comprehensive income/(loss) for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	(262)	—	—	(262)	(174)	(436)
Reclassification of exchange differences for a foreign operation disposal of	—	—	—	—	(1,541)	—	—	(1,541)	—	(1,541)
Total comprehensive income/(loss) for the period	—	—	—	—	(1,803)	—	8,477	6,674	(445)	6,229
Disposal of subsidiaries	—	—	—	—	—	—	—	—	11,596	11,596
Transfer to retained profits	—	—	—	—	—	(1,409)	1,409	—	—	—
Release of revaluation reserve	—	—	—	(248)	—	—	248	—	—	—
At 30 September 2021 (unaudited)	<u>25,000</u>	<u>9,381*</u>	<u>(5,372)*</u>	<u>16,263</u>	<u>—</u>	<u>—</u>	<u>78,277*</u>	<u>123,549</u>	<u>—</u>	<u>123,549</u>

* These reserve accounts comprise the consolidated reserves of HK\$98,549,000 (31 March 2021: HK\$91,875,000) in the condensed consolidated statement of financial position as at 30 September 2021.

The reserve funds of the Group include statutory reserves required to be appropriated from the profit after tax of the Company's subsidiaries in Mainland China (the "PRC Subsidiaries") under the laws and regulations of the People's Republic of China ("PRC"). The amount of the appropriation is at the discretion of the boards of directors of the PRC Subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		8,206	3,793
Adjustments for:			
Finance costs	6	217	133
Interest income	4	(251)	(1,403)
Dividend income	4	(44)	(27)
(Gain)/loss on disposal of items of property, plant and equipment	5	(4)	12
Gain on disposal of subsidiaries	14	(3,216)	—
Fair value gain on financial assets at fair value through profit or loss	4	(4,891)	(3,974)
Reversal of impairment of accounts receivable	5	(88)	(1,717)
Depreciation of property, plant and equipment	5	671	636
Amortisation of an intangible asset	5	23	23
		623	(2,524)
Decrease/(increase) in contract assets		5,682	(12,792)
Decrease in accounts receivable		12,880	17,903
Decrease/(increase) in loans receivable		7,108	(10,660)
Decrease in financial assets at fair value through profit or loss		6,779	1,338
Decrease in prepayments, deposits and other receivables		47,432	7,734
Increase in accounts payable		(4,566)	(4,079)
Increase in contract liabilities		20,585	24,572
(Decrease)/increase in other payables and accruals		(15,573)	104
Cash generated from operations		80,950	21,596
Interest paid		(184)	(266)
Hong Kong profits tax refunded		1	—
Overseas tax refunded		1	21
Dividend received		44	27
Interest element on lease liabilities		(33)	(30)
Net cash flows from operating activities		80,779	21,348

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	251	1,403
Purchases of items of property, plant and equipment	(2,388)	(75)
Purchases of investment properties	(50)	—
Proceeds from disposal of items of property, plant and equipment	28	—
Disposal of subsidiaries	(26,523)	—
Increase in pledged deposits	(13)	(49)
Net cash flows (used in)/from investing activities	(28,695)	1,279
CASH FLOWS FROM FINANCING ACTIVITIES		
New trust receipt loans	5,509	6,790
New short-term loans	—	11,000
Repayment of trust receipt loans	—	(5,933)
Repayment of short-term loans	(11,000)	—
Principal portion of lease payments	(189)	(311)
Decrease in an amount due to a non-controlling shareholder	—	(800)
Net cash flows (used in)/from financing activities	(5,680)	10,746
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	61,956	106,490
Effect of foreign exchange rate changes, net	73	1,012
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	108,433	140,875
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents stated in the condensed consolidated statement of financial position	108,433	140,879
Bank overdrafts, secured	—	(4)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	108,433	140,875

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Smart City Development Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) was incorporated in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands as an exempted company with limited liability on 18 July 2014. The registered address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. 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. Its subsidiaries are principally involved in (i) the construction business, as a main contractor, fitting-out works, and 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

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). 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 valuation or fair value. These unaudited condensed consolidated financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2021.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2021, except for the standards, amendments and interpretations to the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA applicable to the annual period beginning on 1 April 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 revised 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 (2020: four) reportable operating segments as follows:

- (a) the construction business segment is engaged in construction contract works, as a main contractor, 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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	(Unaudited)					(Unaudited)				
	Three months ended 30 September 2021					Six months ended 30 September 2021				
	Construction contracting and related business HK\$'000	Investment in securities HK\$'000	Property investment HK\$'000	Money Lending business HK\$'000	Total HK\$'000	Construction contracting and related business HK\$'000	Investment in securities HK\$'000	Property investment HK\$'000	Money lending business HK\$'000	Total HK\$'000
Segment revenue:										
Income from external customers	91,506	788	153	174	92,621	159,611	6,312	306	426	166,655
Other income and gains	30	—	—	—	30	183	—	—	—	183
	<u>91,536</u>	<u>788</u>	<u>153</u>	<u>174</u>	<u>92,651</u>	<u>159,794</u>	<u>6,312</u>	<u>306</u>	<u>426</u>	<u>166,838</u>
Segment results										
Operating profit/(loss)	3,240	788	31	(207)	3,852	984	6,312	(37)	(69)	7,190
Reconciliation:										
Interest income					179					251
Unallocated income					3,216					3,216
Unallocated expenses					(1,465)					(2,234)
Finance costs					(15)					(217)
Profit before tax					<u>5,767</u>					<u>8,206</u>
Other segment information:										
Reversal of impairment of accounts receivable	(16)	—	—	—	(16)	(88)	—	—	—	(88)
Gain on disposal of items of property, plant and equipment	—	—	—	—	—	(4)	—	—	—	(4)
Depreciation of property, plant and equipment	268	—	—	24	292	536	—	—	24	560
Amortisation of an intangible asset	—	—	—	12	12	—	—	—	23	23
Interest on lease liabilities	12	—	—	2	14	31	—	—	2	33

	(Unaudited)					(Unaudited)				
	Three months ended 30 September 2020					Six months ended 30 September 2020				
	Construction contracting and related business	Investment in securities	Property investment	Money Lending business	Total	Construction contracting and related business	Investment in securities	Property investment	Money lending business	Total
HK\$'000	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	105,567	2,688	—	351	108,606	182,334	4,194	20	491	187,039
Other income and gains	1,528	—	—	—	1,528	1,573	—	—	—	1,573
	<u>107,095</u>	<u>2,688</u>	<u>—</u>	<u>351</u>	<u>110,134</u>	<u>183,907</u>	<u>4,194</u>	<u>20</u>	<u>491</u>	<u>188,612</u>
Segment results										
Operating profit/(loss)	1,719	2,688	(139)	292	4,560	868	4,194	(132)	342	5,272
<u>Reconciliation:</u>										
Interest income					318					719
Unallocated expenses					(1,514)					(2,065)
Finance costs					(116)					(133)
Profit before tax					<u>3,248</u>					<u>3,793</u>
Other segment information:										
Reversal of impairment of accounts receivable	(1,612)	—	—	—	(1,612)	(1,717)	—	—	—	(1,717)
Loss on disposal of items of property, plant and equipment	8	—	—	—	8	12	—	—	—	12
Depreciation of property, plant and equipment	259	—	125	—	384	511	—	125	—	636
Amortisation of an intangible asset	—	—	—	12	12	—	—	—	23	23
Interest on lease liabilities	18	—	—	—	18	29	—	—	1	30

Geographical information of income from external customers

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	<u>70,152</u>	72,710	<u>130,415</u>	139,427
Mainland China	<u>22,469</u>	35,896	<u>36,240</u>	47,612
	<u>92,621</u>	<u>108,606</u>	<u>166,655</u>	<u>187,039</u>

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents an appropriate proportion of contract revenue from construction contracting and related business; gains on and dividend income from investment in securities and rental income from property investment.

An analysis of the Group's revenue, other income and gains is as follows:

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers				
Income from the construction contracting and related businesses	91,506	105,567	159,611	182,334
Revenue from other sources				
Fair value gain/(loss) on equity investments at fair value through profit or loss, net	648	2,579	6,034	3,974
Dividend income from equity investment at fair value through profit or loss	46	12	90	27
Interest income on debt investments at fair value through profit or loss	94	97	188	193
Interest income on loans receivable	174	351	426	491
Rental income from property investment business	153	—	306	20
	92,621	108,606	166,655	187,039
Other income and gains				
Interest income	179	318	251	719
Government grants*	—	1,468	—	1,468
Others	30	60	183	105
	209	1,846	434	2,292

* The government grants were granted under the Employment Support Scheme (“ESS”) of the Government of Hong Kong to retain employment and combat COVID-19. As at the end of each reporting period, there were no unfulfilled conditions or contingencies relating to these grants.

Revenue from contracts with customers

(i) Disaggregated revenue information

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Building construction works	25,243	17,992	43,402	32,806
Electrical and mechanical engineering works	43,330	40,149	79,112	79,719
Fitting-out works	22,933	47,426	37,097	69,809
Total revenue from contracts with customers transferred over time	<u>91,506</u>	<u>105,567</u>	<u>159,611</u>	<u>182,334</u>

For the three months and six months ended 30 September 2021, the revenue from contracts with customers of HK\$91,506,000 and HK\$159,611,000, respectively are the same as the amounts of income from external customers under the construction contracting and related business segment.

(ii) Performance obligations

Information about the Group's performance obligations 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.

5. PROFIT BEFORE TAX

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

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Cost of construction contracting	85,892	99,823	148,580	170,364
Depreciation of property, plant and equipment	403	384	671	636
Amortisation of an intangible asset	12	12	23	23
Lease payments not included in the measurement of lease liabilities	687	935	1,669	1,750
Rental income on investment properties	(153)	—	(306)	(20)
Less: outgoings	19	5	30	10
Net rental expenses/(income)	(134)	5	(276)	(10)
Employee benefit expense (including directors' remuneration):				
Wages, salaries and allowances	7,364	7,020	14,914	14,139
Pension scheme contributions*	204	361	412	516
Less: Amount included in cost of construction contracting	(1,990)	(2,200)	(4,105)	(4,615)
	5,578	5,181	11,221	10,040
Directors' remuneration:				
Fee	300	300	600	146
Salaries and allowances	—	—	—	—
Pension scheme contributions	—	—	—	—
	300	300	600	146
(Gain)/loss on disposal of items of property, plant and equipment [^]	—	8	(4)	12
Foreign exchange differences, net [^]	—	2	—	2
Reversal of impairment of accounts receivable [^]	(16)	(1,612)	(88)	(1,717)

* As at 30 September 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)		(Unaudited)	
	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on lease liabilities	15	14	33	30
Interest on interest-bearing bank borrowings	4	134	188	266
Less: Interest capitalised	(4)	(32)	(4)	(163)
	15	116	217	133

7. INCOME TAX

Hong Kong profits tax has been provided for at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 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 the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current — Hong Kong Charge for the period	—	86	—	86

9. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

10. ACCOUNTS RECEIVABLE

	(Unaudited) 30 September 2021 <i>HK\$'000</i>	(Audited) 31 March 2021 <i>HK\$'000</i>
Accounts receivable	15,268	37,501
Impairment	(3,168)	(12,233)
	12,100	25,268

The Group's trading terms with its customers are mainly on credit. The credit period granted to the customers ranges from 14 days to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk.

The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

An ageing analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	(Unaudited) 30 September 2021 <i>HK\$'000</i>	(Audited) 31 March 2021 <i>HK\$'000</i>
Within 90 days	10,507	23,377
91 to 180 days	4	869
181 to 360 days	1,589	86
Over 360 days	—	936
Total	12,100	25,268

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited) 30 September 2021 <i>HK\$'000</i>	(Audited) 31 March 2021 <i>HK\$'000</i>
Listed equity investments, at fair value	19,552	21,327
Unlisted debt investments, at fair value	7,466	7,579
	27,018	28,906

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above unlisted debt investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

12. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	(Unaudited) 30 September 2021 <i>HK\$'000</i>	(Audited) 31 March 2021 <i>HK\$'000</i>
Within 90 days	6,423	7,792
91 to 180 days	2,695	5,206
181 to 360 days	747	230
Over 360 days	1,911	33,977
	11,776	47,205

Accounts payable are non-interest-bearing. The average credit period on purchase of goods is 30 days. The Group has financial risk management policies or plan for its payables with regard to the credit transfer.

13. SHARE CAPITAL

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

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

14. DISPOSAL OF SUBSIDIARIES

On 10 August, 2021, the Group disposed 85.7% of the issued share capital of Deson Construction Engineering Limited ("DCEL"), which in turn holds 70% equity interest in Beijing Chang-de Architectural & Decoration Co., Ltd. ("Beijing Chang-de"), to an independent third party. The net liabilities disposed of were as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	48
Contract assets	35,603
Trade and other receivables	4,096
Cash and cash equivalents	28,523
Contract liabilities	(34,616)
Trade and other payables	(42,999)
Lease liabilities	(445)
Due to the Group	(22,063)
Tax payable	(1,481)
Non-controlling interests	<u>11,596</u>
	(21,738)
Release of exchange fluctuation reserve	<u>(1,541)</u>
	(23,279)
Sale of loan due to the Group	22,063
Gain on disposal of subsidiaries	<u>3,216</u>
	<u>2,000</u>
Satisfied by:	
Cash and cash equivalents	<u>2,000</u>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK\$'000
Cash consideration	2,000
Cash and cash equivalents disposed of	(28,523)
	<hr/>
Cash consideration and net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(26,523)
	<hr/> <hr/>

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	(Unaudited) 30 September 2021 HK\$'000	(Audited) 31 March 2021 HK\$'000	(Unaudited) 30 September 2021 HK\$'000	(Audited) 31 March 2021 HK\$'000
Financial assets				
Financial assets at fair value through profit or loss (<i>note 11</i>)	27,018	28,906	27,018	28,906
	<hr/>	<hr/>	<hr/>	<hr/>

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, accounts receivables, accounts payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and balance with a non-controlling shareholder approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of listed equity investments is based on quoted market price. The fair value of unlisted debt investments is based on the prices quoted by the fund administrators.

The Group's corporate finance team headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the Directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the Directors.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 September 2021

	(Unaudited)			Total <i>HK\$'000</i>
	Fair value measurement using			
	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	
Financial assets at fair value through profit or loss				
— Listed equity investments	19,552	—	—	19,552
— Unlisted debt investments	—	7,466	—	7,466
	<u>19,552</u>	<u>7,466</u>	<u>—</u>	<u>27,018</u>

As at 31 March 2021

	(Audited)			Total <i>HK\$'000</i>
	Fair value measurement using			
	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	
Financial assets at fair value through profit or loss				
— Listed equity investments	21,327	—	—	21,327
— Unlisted debt investments	—	7,579	—	7,579
	<u>21,327</u>	<u>7,579</u>	<u>—</u>	<u>28,906</u>

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 mainland of the People's Republic of China (the "PRC") and Macau where it provides one-stop comprehensive services with the following three major types of services: (a) building construction works; (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 and earns rental income; and (iv) money lending business.

The Group's revenue for the Reporting Period recorded at approximately HK\$166,655,000 which represented a decrease of approximately 11% from approximately HK\$187,039,000 for the six months ended 30 September 2020. For construction segment, revenue for the Reporting Period recorded at approximately HK\$159,611,000 which represented a decrease of 12% from approximately HK\$182,334,000 for the six months ended 30 September 2020. For investment in marketable securities segment, revenue for the Reporting Period recorded at a gain of approximately HK\$6,312,000 which represented an increase of 51% from a gain of approximately HK\$4,194,000 for the six months ended 30 September 2020. For property investment segment, revenue for the Reporting Period recorded at approximately HK\$306,000 which represented an increase of 1,430% from approximately HK\$20,000 for the six months ended 30 September 2020. For money lending segment, revenue for the Reporting Period recorded at approximately HK\$426,000 which represented a decrease of 13% from approximately HK\$491,000 for the six months ended 30 September 2020.

(i) Construction Segment

(a) Building construction works and related businesses:

For the Reporting Period, revenue recorded at this section amounted to approximately HK\$43,402,000 (2020: HK\$32,806,000). The increase of 32% was mainly due to the increase of the revenue recognition for the demolition, site formation and foundation works at Bowen Road and ELS, piling and site formation and foundation works for proposed residential development at South Lantau Road, Cheung Sha, Lantau Island.

(b) E&M works:

For the Reporting Period, revenue recorded from this section amounted to approximately HK\$79,112,000 (2020: HK\$79,719,000).

The slight decrease by approximately 1% was mainly due to less revenue recognition during the Reporting Period of the projects which were almost completed including (i) 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; (ii) replacement of automatic fire alarm system in Pamela Youde Nethersole Eastern Hospital; (iii) term contract for Building Services Works at Sogo Department Store, Causeway Bay and Tsim Sha Tsui, Hong Kong; and (iv) 30-month term contract for the maintenance and repair of, alterations and additions to, fire services installations for Health Services Buildings in New Territories Region.

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\$37,097,000 (2020: HK\$69,809,000).

The significant decrease by 47% was mainly due to (i) 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 and (ii) for the 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**”) was disposed on 11 August 2021 where the revenue is no longer to be included into group's consolidated revenue after the completion date.

(ii) Investment in marketable securities segment

For the six months ended 30 September 2021, gain recorded from this segment amounted to approximately HK\$6,312,000 (six months ended 30 September 2020: approximately HK\$4,194,000).

As at 30 September 2021, the Group managed a portfolio of listed equity investments and fund investments with fair value of approximately HK\$27,018,000 (31 March 2021: HK\$28,906,000) which are classified as financial assets at fair value through profit or loss.

During the Reporting Period, the Group recorded (i) an unrealised gain on fair value change of listed equity investments and fund investments of approximately HK\$2,790,000 (six months ended 30 September 2020: approximately HK\$2,034,000); (ii) a realised gain of approximately HK\$3,244,000 (six months ended 30 September 2020: approximately HK\$1,940,000); (iii) interest income received from unlisted debt investments of approximately HK\$188,000 (six months ended 30 September 2020: approximately HK\$193,000); and (iv) dividend income received from equity investments of approximately HK\$91,000 (six months ended 30 September 2020: approximately HK\$27,000). Details of the marketable securities are disclosed under the section “SIGNIFICANT INVESTMENTS”.

(iii) Property investment segment

For the six months ended 30 September 2021, revenue recorded from this segment amounted to approximately HK\$306,000 (six months ended 30 September 2020: HK\$20,000). It was mainly attributable from rental income earned from the investment properties.

The Group’s existing portfolio consists of commercial properties in Hong Kong which generated rental income. In view of the recent volatility in the property market, the Board will adopt cautious measures to manage the Group’s portfolio.

(iv) Money lending business segment

For the six months ended 30 September 2021, revenue recorded from this segment amounted to approximately HK\$426,000 (six months ended 30 September 2020: HK\$491,000).

Basic earnings per share is HK4.24 cent for the six months ended 30 September 2021.

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 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 (“**Legal Case**”) from the People’s Court in Chaoyang District, Beijing (“**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 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 Board of the Company expects that the Judgement will no longer have 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 six months ended 30 September 2021, the Group’s revenue amounted to approximately HK\$166.7 million, decreased by approximately 10.9% as compared to the last 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 and for the PRC operation, Beijing Chang-de was disposed on 11 August 2021 and no revenue recognition afterwards.

Gross profit margin

The Group's gross profit increased from approximately HK\$16.7 million for the six months ended 30 September 2020 to approximately HK\$18.1 million for the Reporting Period. It represented an increase of approximately HK\$1.4 million or 8.4%.

During the six months ended 30 September 2021, the gross profit margin was approximately 10.8%, improved by approximately 1.9 percentage points as compared to last period's 8.9%.

After excluding the portion generated from the investment in marketable securities segment, the property investment segment and money lending business segment, the gross profit margin for this Reporting Period was approximately 6.1%, down by approximately 0.5 percentage point as compared to last period's 6.6%.

Other income and gains

Other income decreased by approximately HK\$1.9 million or 81.1% from approximately HK\$2.3 million for the six months ended 30 September 2020 to approximately HK\$0.4 million for the six months ended 30 September 2021. The decrease was mainly due to the government grants during the last period.

Administrative expenses

Administrative expenses decreased by approximately HK\$3.3 million or 20.0% from approximately HK\$16.7 million for the six months ended 30 September 2020 to approximately HK\$13.4 million for the six months ended 30 September 2021. The decrease was mainly due to the disposal of the 85.7% of the issued share capital of Deson Construction Engineering Limited and its interest in Beijing Chang-de during this Reporting Period.

Finance costs

Finance costs increased by approximately HK\$0.1 million or 63.2% from approximately HK\$0.1 million for the six months ended 30 September 2020 to approximately HK\$0.2 million for the six months ended 30 September 2021. The increase was mainly due to the increase in interest expense on short-term loans in this Reporting Period.

Dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

Liquidity and financial resources

The Group continued to maintain a suitable liquid position. As at 30 September 2021, the Group had cash and cash equivalents of HK\$108,433,000 (31 March 2021: HK\$61,969,000) mainly in Hong Kong dollars and Renminbi. As at 30 September 2021, the Group had total assets of HK\$324,573,000 (31 March 2021: HK\$390,125,000). The Group's current ratio as at 30 September 2021 was 1.22 compared to 1.10 as at 31 March 2021.

As at 30 September 2021, the gearing ratio for the Group was 1% (31 March 2021: 1%). It was calculated based on the non-current liabilities of HK\$1,085,000 (31 March 2021: HK\$1,487,000) and long term capital (equity and non-current liabilities) of HK\$124,634,000 (31 March 2021: HK\$107,211,000).

Capital expenditure

The Group's total capital expenditure for the six months ended 30 September 2021 was approximately HK\$2,438,000, which was mainly used in the purchase of property, plant and equipment.

Contingent liabilities

At the end of the reporting date, there were no significant contingent liabilities for the Group.

Commitments

At the end of the reporting date, there were no significant capital commitments for the Group.

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 HK\$20,876,000 (31 March 2021: HK\$21,200,000); and
- (ii) the pledge of the Group's deposits of HK\$17,150,000 (31 March 2021: HK\$17,137,000).

Treasury policies

The Directors will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy level of liquidity to ensure that the Group is well-placed to take advantage of growth opportunities. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings are principally denominated in Hong Kong dollars, hence, the Group has 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 September 2021.

PROSPECTS

(i) Construction Business

Subsequent to the disposal of the Deson Construction Engineering Limited and its interest in the Beijing Chang-de taken place on 10 August, 2021, the Group's interior fittings-out works business will remain focus in Hong Kong. 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" 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 and 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 Building 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) main contractor for two residential houses redevelopment including E&M works at No.39 South Bay Road, Hong Kong and Tai Mong Tsai, Sai Kung, Hong Kong; (ii) 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; (iii) triennial contract for the maintenance and repair of, alterations and additions to fire service installations for Airport Venues; and (iv) nominated sub-contract for building services installation and renovation of Tsuen Wan Public Library, were secured. As at the date of this announcement, the Group has contracts on hand with a total contract sum of over HK\$906 million. The decrease in total contract sum was mainly due to the PRC operation, Beijing Chang-de was disposed on 11 August 2021 where the revenue is no longer to be included into group's consolidated revenue after the completion date.

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 against 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) Investment in Securities Business

Regarding the investments in securities business, 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 at least two Directors of the Company, including at least one executive Director who acts as the investment manager). The Board will adopt 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 financial markets overseas with a view to generate additional income and enhance the capital use of the Group.

In view of the recent volatility 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.

(iii) Property Investment Business

The Group’s investment properties consisted of two commercial properties in Hong Kong. The Directors have determined that the investment properties was 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 was 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 September 2021, the Group held approximately HK\$27,018,000 financial assets at fair value through profit or loss. Details of the significant investments are as follows:

	Notes	Stock/Fund 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	966.0	6,930.0	25.6	5.6
Individual investment less than 5% of net assets the Group				1,937.6	12,621.7	46.7	10.3
				<u>2,903.6</u>	<u>19,551.7</u>	<u>72.3</u>	<u>15.9</u>
Unlisted debt investments							
JPMorgan Asian Total Return Bond (Mth)	2	HK0000102936	Hong Kong	(119.4)	3,692.8	13.7	3.0
AB FCP I — American Income Portfolio (At USD)	3	LU0157308031	Luxembourg	6.2	3,773.4	14.0	3.1
				<u>(113.2)</u>	<u>7,466.2</u>	<u>27.7</u>	<u>6.1</u>
				<u>2,790.4</u>	<u>27,017.8</u>	<u>100.0</u>	<u>22.0</u>

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\$167,980,000 as at 30 June 2021.
- 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.
- 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 six months ended 30 September 2021, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$15,998,000 and gain recognised in revenue for the amount of approximately HK\$3,244,000. 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	1,167	817
Investments with individual realised gain/(loss) of less than HK\$500,000			10,379	41
			14,482	3,134

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.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this announcement, our Group did not have other plans for material investment or capital assets as at 30 September 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

On 10 August 2021, the Group, entered into the disposal agreement with an independent third party (the "**Purchaser**") whereby the Vendor agreed to sell and the purchaser agreed to purchase the sale shares and the sale loan at an aggregate consideration of HK\$2.0 million. The sale shares represent 85.7% of the issued share capital of Deson Construction Engineering Limited ("**DCEL**"), which in turn holds 70% equity interest in Beijing Chang-de. Upon Completion, the Group ceased to have any interests in DCEL and Beijing Chang-de. As such, the financial results of DCEL Group will no longer be consolidated into the financial statements of the Company upon completion. Completion has taken place immediately after the execution of the disposal agreement.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries and affiliated companies by the Group during the six months ended 30 September 2021.

HUMAN RESOURCES

As at 30 September 2021, the Group had 68 employees. The decrease in numbers of headcount was mainly due to the PRC operation after the disposal of Beijing Chang-de on 11 August 2021. The total employee benefit expenses including directors' emoluments for the six months ended 30 September 2021 amounted to approximately HK\$11,221,000 as compared to approximately HK\$10,040,000 for the same period in 2020. The increase was mainly due to less staff cost capitalised in the Reporting Period.

The remuneration policy and package of the Group's employees are reviewed and approved by the Directors. Apart from the pension funds, in order to attract and retain a higher caliber of capable and motivated workforce, the Group offers discretionary bonus and share option to staff based on individual performance and the achievements of the Group's targets.

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 September 2021.

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 September 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 September 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 September 2021, none of the Directors or 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 September 2021, so far as is known to the Directors of the Company, the following 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 (<i>Note 1</i>)	23,978,816	11.99%
Masan Multi Strategy Fund SPC — Masan HK Equity Fund SP	Beneficial owner	27,587,200	13.79%
Masan Capital Limited	Investment manager (<i>Note 2</i>)	27,587,200	13.79%
Top Lion International Limited	Interest of a controlled corporation (<i>Note 2</i>)	27,587,200	13.79%

Notes:

1. Energy Luck Limited is a company incorporated in the 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 27,587,200 Shares. Masan Fund is wholly-owned by Masan Capital Limited, which in turn 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 for the purposes of the SFO.

Save as disclosed above, as at 30 September 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 BUSINESS

During the Reporting Period and up to the date of this announcement, 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules. No director has dealt in the shares of the Company 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 six months ended 30 September 2021.

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 of the GEM Listing Rules as its own corporate governance code since its listing date. The Company has, so far as applicable, principally complied with the CG Code during the Reporting Period.

AUDITOR

Ernst & Young (“**EY**”) retired as the auditor of the Company upon expiration of its current term of office at the annual general meeting of the Company held on Monday, 20 September 2021 (the “**AGM**”). EY had been the auditor of the Company continuously for more than seven years. The Board and the audit committee of the Board (the “**Audit Committee**”) considered that (i) changing the auditor of the Company after an appropriate period of time is a good corporate governance practice to ensure independence of the auditor; and (ii) EY and the Company could not reach a consensus on the audit fee for the financial year ending 31 March 2022. As such, the Board, with the recommendation of the Audit Committee, has resolved to change the auditor of the Company and proposed to appoint Baker Tilly Hong Kong Limited (“**Baker Tilly**”) as the new auditor of the Company for the financial year ending 31 March 2022 following the retirement of EY and to hold office until the conclusion of the next annual general meeting of the Company (the “**Appointment of Baker Tilly**”). The shareholders of the Company approved an ordinary resolution for the Appointment of Baker Tilly at the AGM.

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 to provide advice and comments on the Group’s financial reporting matters to the Board. As at the date of this announcement, 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 “**Audit Committee Members**”).

The unaudited interim results of the Group for the six months ended 30 September 2021 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.

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

Hong Kong, 11 November 2021

As at the date of this announcement, 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.

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

This announcement will remain on the Latest Listed Company Information page of the GEM website at www.hkgem.com for a minimum period of seven days from the date of its publication and on the Company's website at www.smartcity-d.com.