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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)

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 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.*

THIRD 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 nine months ended 31 December 2021 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2020, as follows, subject to rounding differences, if any:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 31 December 2021

	Note	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
REVENUE	4	72,894	123,180	239,549	310,219
Cost of sales		(62,287)	(119,078)	(210,867)	(289,442)
Gross profit		10,607	4,102	28,682	20,777
Other income and gains	4	338	1,715	772	4,007
Administrative expenses		(10,858)	(8,642)	(24,251)	(25,383)
Gain on disposal of subsidiaries		—	—	3,216	—
Other operating income, net		861	534	952	2,234
Finance costs	6	(43)	(380)	(260)	(513)
PROFIT/(LOSS) BEFORE TAX	5	905	(2,671)	9,111	1,122
Income tax credit	7	—	124	—	38
PROFIT/(LOSS) FOR THE PERIOD		905	(2,547)	9,111	1,160
Attributable to:					
Owners of the Company		905	(2,145)	9,382	1,727
Non-controlling interests		—	(402)	(271)	(567)
		905	(2,547)	9,111	1,160
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8				
Basic		HK0.45 cent	HK(1.07) cent (restated)	HK4.69 cent	HK0.86 cent (restated)
Diluted		HK0.45 cent	HK(1.07) cent (restated)	HK4.69 cent	HK0.86 cent (restated)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the nine months ended 31 December 2021

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 December		31 December	
	2021	2020	2021	2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT/(LOSS) FOR THE PERIOD	905	(2,547)	9,111	1,160
OTHER COMPREHENSIVE LOSS				
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	—	(259)	(436)	(454)
Reclassification adjustments for a foreign operation disposed of during the period	11 —	—	(1,541)	—
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	905	(2,806)	7,134	706
Attributable to:				
Owners of the Company	905	(2,033)	7,579	1,928
Non-controlling interests	—	(773)	(445)	(1,222)
	905	(2,806)	7,134	706

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 December 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	—	—	—	—	—	—	1,727	1,727	(567)	1,160
Other comprehensive income/(loss) for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	201	—	—	201	(655)	(454)
Total comprehensive income/(loss) for the period	—	—	—	—	201	—	1,727	1,928	(1,222)	706
Release of revaluation reserve	—	—	—	(350)	—	—	350	—	—	—
At 31 December 2020 (unaudited)	<u>25,000</u>	<u>9,381</u>	<u>(5,372)</u>	<u>14,230</u>	<u>3,568</u>	<u>5,581</u>	<u>55,721</u>	<u>108,109</u>	<u>(10,376)</u>	<u>97,733</u>
At 1 April 2021 (audited)	<u>25,000</u>	<u>9,381*</u>	<u>(5,372)*</u>	<u>16,511*</u>	<u>1,803*</u>	<u>1,409*</u>	<u>68,143*</u>	<u>116,875</u>	<u>(11,151)</u>	<u>105,724</u>
Profit/(loss) for the period	—	—	—	—	—	—	9,382	9,382	(271)	9,111
Other comprehensive 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)	—	9,382	7,579	(445)	7,134
Disposal of subsidiaries	—	—	—	—	—	—	—	—	11,596	11,596
Transfer to retained profits	—	—	—	—	—	(1,409)	1,409	—	—	—
Release of revaluation reserve	—	—	—	(374)	—	—	374	—	—	—
At 31 December 2021 (unaudited)	<u>25,000</u>	<u>9,381*</u>	<u>(5,372)*</u>	<u>16,137*</u>	<u>—</u>	<u>—</u>	<u>79,308*</u>	<u>124,454</u>	<u>—</u>	<u>124,454</u>

* These reserve accounts comprise the consolidated reserves of HK\$99,454,000 (31 March 2021: HK\$91,875,000) in the condensed consolidated statement of financial position as at 31 December 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.

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 (Cap 22. Law 3 of 1961 as consolidated and 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 registered address of the Company is Windward 3, Regatta Office Park, 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, interior fitting-out works, and 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 nine months ended 31 December 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
Amendments to HKFRS 16

Interest Rate Benchmark Reform — Phase 2

*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, 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.

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 31 December 2021					Nine months ended 31 December 2021				
	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	73,796	(1,197)	153	142	72,894	233,407	5,115	459	568	239,549
Other income and gains	216	—	—	1	217	399	—	—	1	400
	<u>74,012</u>	<u>(1,197)</u>	<u>153</u>	<u>143</u>	<u>73,111</u>	<u>233,806</u>	<u>5,115</u>	<u>459</u>	<u>569</u>	<u>239,949</u>
Segment results										
Operating profit/(loss)	3,291	(1,197)	(32)	(182)	1,880	4,275	5,115	(69)	(251)	9,070
<i>Reconciliation:</i>										
Interest income					121					372
Unallocated income					—					3,216
Unallocated expenses					(1,053)					(3,287)
Finance costs					(43)					(260)
Profit before tax					<u>905</u>					<u>9,111</u>
Other segment information:										
Reversal of impairment of accounts receivable	(861)	—	—	—	(861)	(949)	—	—	—	(949)
Gain on disposal of items of property, plant and equipment	—	—	—	—	—	(4)	—	—	—	(4)
Depreciation of property, plant and equipment	269	—	—	182	451	805	—	—	317	1,122
Amortisation of an intangible asset	—	—	—	11	11	—	—	—	34	34
Interest on lease liabilities	9	—	—	1	10	40	—	—	3	43
	<u>9</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>10</u>	<u>40</u>	<u>—</u>	<u>—</u>	<u>3</u>	<u>43</u>

	(Unaudited) Three months ended 31 December 2020					(Unaudited) Nine months ended 31 December 2020				
	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	121,593	1,202	20	365	123,180	303,927	5,396	40	856	310,219
Other income and gains	1,533	—	—	—	1,533	3,106	—	—	—	3,106
	<u>123,126</u>	<u>1,202</u>	<u>20</u>	<u>365</u>	<u>124,713</u>	<u>307,033</u>	<u>5,396</u>	<u>40</u>	<u>856</u>	<u>313,325</u>
Segment results										
Operating profit/(loss)	(2,122)	1,202	(275)	304	(891)	(1,254)	5,396	(407)	646	4,381
<i>Reconciliation:</i>										
Interest income					182					901
Unallocated expenses					(1,582)					(3,647)
Finance costs					(380)					(513)
Profit before tax					<u>(2,671)</u>					<u>1,122</u>
Other segment information:										
Reversal of impairment of accounts receivable	(583)	—	—	—	(583)	(2,300)	—	—	—	(2,300)
Loss on disposal of items of property, plant and equipment	—	—	—	—	—	12	—	—	—	12
Depreciation of property, plant and equipment	266	—	63	—	329	777	—	188	—	965
Amortisation of an intangible asset	—	—	—	12	12	—	—	—	35	35

Geographical information of income from external customers

	(Unaudited) Three months ended 31 December 2021 HK\$'000		(Unaudited) Nine months ended 31 December 2021 HK\$'000	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong	72,894	80,197	203,309	219,624
Mainland China	—	42,983	36,240	90,595
	<u>72,894</u>	<u>123,180</u>	<u>239,549</u>	<u>310,219</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 31 December		(Unaudited) Nine months ended 31 December	
	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	73,796	121,593	233,407	303,927
Revenue from other sources				
Fair value (loss)/gain on equity investments at fair value through profit or loss, net	(1,308)	1,108	4,726	5,082
Dividend income from equity investment at fair value through profit or loss	17	—	107	27
Interest income on debt investments at fair value through profit or loss	94	94	282	287
Interest income on loans receivable	142	365	568	856
Rental income from property investment business	153	20	459	40
	<u>72,894</u>	<u>123,180</u>	<u>239,549</u>	<u>310,219</u>
Other income and gains				
Interest income	121	182	372	901
Government grants*	—	1,488	—	2,956
Others	217	45	400	150
	<u>338</u>	<u>1,715</u>	<u>772</u>	<u>4,007</u>

* 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 31 December		(Unaudited) Nine months ended 31 December	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Building construction works	36,388	15,826	79,790	48,632
Electrical and mechanical engineering works	35,138	49,320	114,250	129,039
Fitting-out works	2,270	56,447	39,367	126,256
Total revenue from contracts with customers transferred over time	<u>73,796</u>	<u>121,593</u>	<u>233,407</u>	<u>303,927</u>

For the three months and nine months ended 31 December 2021, the revenue from contracts with customers of approximately HK\$73,796,000 and approximately HK\$233,407,000, 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/(LOSS) BEFORE TAX

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

	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Cost of construction contracting	62,287	119,078	210,867	289,442
Depreciation of property, plant and equipment	451	329	1,122	965
Amortisation of an intangible asset	11	12	34	35
Lease payments not included in the measurement of lease liabilities	1,270	978	2,939	2,728
Rental income on investment properties	(153)	(20)	(459)	(40)
Less: outgoings	7	5	37	15
Net rental income	<u>(146)</u>	<u>(15)</u>	<u>(422)</u>	<u>(25)</u>
Employee benefit expense (including directors' remuneration):				
Wages, salaries and allowances	9,741	8,684	24,655	22,823
Pension scheme contributions*	212	143	624	659
Less: Amount included in cost of construction contracting	<u>(2,836)</u>	<u>(2,649)</u>	<u>(6,941)</u>	<u>(7,264)</u>
	<u>7,117</u>	<u>6,178</u>	<u>18,338</u>	<u>16,218</u>
Directors' remuneration:				
Fee	300	300	900	746
Salaries and allowances	—	—	—	—
Pension scheme contributions	—	—	—	—
	<u>300</u>	<u>300</u>	<u>900</u>	<u>746</u>
Gain/loss on disposal of items of property, plant and equipment [^]	—	—	(4)	12
Foreign exchange differences, net [^]	—	(1)	—	1
Reversal of impairment of accounts receivable [^]	<u>(861)</u>	<u>(583)</u>	<u>(949)</u>	<u>(2,300)</u>

* As at 31 December 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		Nine months ended	
	31 December		31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on lease liabilities	48	13	81	43
Interest on interest-bearing bank borrowings	28	379	216	645
Less: Interest capitalised	(33)	(12)	(37)	(175)
	<u>43</u>	<u>380</u>	<u>260</u>	<u>513</u>

7. INCOME TAX

Hong Kong profits tax has been provided for at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the nine months ended 31 December 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		Nine months ended	
	31 December		31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current — Hong Kong				
(Credit)/charge for the period	—	(59)	—	27
Current — the PRC				
Charge for the period	—	15	—	15
Overprovision in prior year	—	(80)	—	(80)
	<u>—</u>	<u>(124)</u>	<u>—</u>	<u>(38)</u>

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

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 (the “**Share Consolidation**”) 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.

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 200,000,000 (2020 (restated): 200,000,000) in issue during the period, as adjusted to reflect the Share Consolidation on 28 April 2021. The Group had no potentially diluted ordinary shares in issue during the nine months ended 31 December 2021.

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

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 December		31 December	
	2021	2020	2021	2020
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Earnings/(Loss)				
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	<u>905</u>	<u>(2,145)</u>	<u>9,382</u>	<u>1,727</u>

	(Unaudited) Three months ended 31 December 2021		(Unaudited) Nine months ended 31 December 2021	
	2020	(restated)	2020	(restated)
Shares				
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation*	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
	<u><u>200,000,000</u></u>	<u><u>200,000,000</u></u>	<u><u>200,000,000</u></u>	<u><u>200,000,000</u></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.

9. DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2021 (nine months ended 31 December 2020: Nil).

10. SHARE CAPITAL

	(Unaudited) 31 December 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.

11. 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><u>2,000</u></u>

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

	<i>HK\$'000</i>
Cash consideration	2,000
Cash and cash equivalents disposed of	<u>(28,523)</u>
Cash consideration and net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u><u>(26,523)</u></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\$239,549,000 which represented a decrease of approximately 23% from approximately HK\$310,219,000 for the nine months ended 31 December 2020. For the construction segment, revenue for the Reporting Period recorded at approximately HK\$233,407,000 which represented a decrease of approximately 23% from approximately HK\$303,927,000 for the nine months ended 31 December 2020. For investment in marketable securities segment, revenue for the Reporting Period recorded at a gain of approximately HK\$5,115,000 which represented a decrease of approximately 5% from a gain of approximately HK\$5,396,000 for the nine months ended 31 December 2020. For property investment segment, revenue for the Reporting Period recorded at approximately HK\$459,000 which represented an increase of approximately 1,048% from approximately HK\$40,000 for the nine months ended 31 December 2020. For money lending segment, revenue for the Reporting Period recorded at approximately HK\$568,000 which represented a decrease of approximately 34% from approximately HK\$856,000 for the nine months ended 31 December 2020.

(i) Construction Segment

(a) Building construction works and related businesses:

For the Reporting Period, revenue recorded at this section amounted to approximately HK\$79,790,000 (2020: HK\$48,632,000). The increase of approximately 64% was mainly due to the revenue recognition for the site formation and foundation works for proposed residential development at South Lantau Road, Cheung Sha, Lantau Island commenced from April 2021.

(b) E&M works:

For the Reporting Period, revenue recorded from this section amounted to approximately HK\$114,250,000 (2020: HK\$129,039,000).

The decrease by approximately 11% 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) 24-month term contract for Building Services Works at Sogo Department Store, Causeway Bay and Tsim Sha Tsui, Hong Kong; and (iii) 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 triennial term contract for operation and maintenance of air-conditioning installations at Attended Municipal Venues in Hong Kong Region.

(c) Interior fitting-out works:

For the Reporting Period, revenue recorded from this section amounted to approximately HK\$39,367,000 (2020: HK\$126,256,000).

The significant decrease by approximately 69% 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 10 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 nine months ended 31 December 2021, gain recorded from this segment amounted to approximately HK\$5,115,000 (nine months ended 31 December 2020: approximately HK\$5,396,000).

As at 31 December 2021, the Group managed a portfolio of listed equity investments and fund investments with fair value of approximately HK\$20,494,000 (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\$1,003,000 (nine months ended 31 December 2020: approximately HK\$2,400,000); (ii) a realised gain of approximately HK\$3,722,000 (nine months ended 31 December 2020: approximately HK\$2,682,000); (iii) interest income received from unlisted debt investments of approximately HK\$282,000 (nine months ended 31 December 2020: approximately HK\$287,000); and (iv) dividend income received from equity investments of approximately HK\$108,000 (nine months ended 31 December 2020: approximately HK\$27,000). Details of the marketable securities are disclosed under the section “SIGNIFICANT INVESTMENTS”.

(iii) Property investment segment

For the nine months ended 31 December 2021, revenue recorded from this segment amounted to approximately HK\$459,000 (nine months ended 31 December 2020: HK\$40,000). 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 nine months ended 31 December 2021, revenue recorded from this segment amounted to approximately HK\$568,000 (nine months ended 31 December 2020: HK\$856,000).

Basic earnings per share is HK4.69 cent for the nine months ended 31 December 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 nine months ended 31 December 2021, the Group’s revenue amounted to approximately HK\$239.5 million, decreased by approximately 22.8% 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 10 August 2021 and no revenue recognition afterwards.

Gross profit margin

The Group's gross profit increased from approximately HK\$20.8 million for the nine months ended 31 December 2020 to approximately HK\$28.7 million for the Reporting Period. It represented an increase of approximately HK\$7.9 million or 38.0%.

During the nine months ended 31 December 2021, the gross profit margin was approximately 12%, improved by approximately 5.3 percentage points as compared to last period's 6.7%.

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 9.7%, up by approximately 4.9 percentage point as compared to last period's 4.8%.

Other income and gains

Other income decreased by approximately HK\$3.2 million or 80.7% from approximately HK\$4.0 million for the nine months ended 31 December 2020 to approximately HK\$0.8 million for the nine months ended 31 December 2021. The decrease was mainly due to the government grants during the last period.

Administrative expenses

Administrative expenses decreased by approximately HK\$1.1 million or 4.5% from approximately HK\$25.4 million for the nine months ended 31 December 2020 to approximately HK\$24.3 million for the nine months ended 31 December 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 decreased by approximately HK\$0.2 million or 49.3% from approximately HK\$0.5 million for the nine months ended 31 December 2020 to approximately HK\$0.3 million for the nine months ended 31 December 2021. The decrease was mainly due to the decrease in interest expense on short-term loans in this Reporting Period.

Dividend

The Directors do not recommend the payment of any interim dividend for nine months ended 31 December 2021 (nine months ended 31 December 2020: Nil).

Liquidity and financial resources

The Group continued to maintain a suitable liquid position. As at 31 December 2021, the Group had cash and cash equivalents of approximately HK\$86,517,000 (31 March 2021: HK\$61,969,000) mainly in Hong Kong dollars and Renminbi. As at 31 December 2021, the Group had total assets of approximately HK\$317,929,000 (31 March 2021: HK\$390,125,000). The Group's current ratio as at 31 December 2021 was approximately 1.22 compared to 1.10 as at 31 March 2021.

As at 31 December 2021, the gearing ratio for the Group was approximately 1% (31 March 2021: 1%). It was calculated based on the non-current liabilities of approximately HK\$974,000 (31 March 2021: HK\$1,487,000) and long term capital (equity and non-current liabilities) of approximately HK\$125,430,000 (31 March 2021: HK\$107,211,000).

Capital expenditure

The Group's total capital expenditure for the nine months ended 31 December 2021 was approximately HK\$5,078,000, 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 approximately HK\$20,713,000 (31 March 2021: HK\$21,200,000); and
- (ii) the pledge of the Group's deposits of approximately HK\$17,154,000 (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 31 December 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 the 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) alteration and addition works at House A, No. 75 Peak Road, Hong Kong, (ii) 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; (iii) 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; (iv) triennial contract for the maintenance and repair of, alterations and additions to fire service installations for Airport Venues; and (v) 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\$1,032 million. The decrease in total contract sum was mainly due to the PRC operation, Beijing Chang-de was disposed on 10 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 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 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 31 December 2021, the Group held approximately HK\$20,494,000 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							
Individual investment less than 5% of net assets the Group				1,309.2	13,220.4	64.5	10.5
				<u>1,309.2</u>	<u>13,220.4</u>	<u>64.5</u>	<u>10.5</u>
Unlisted debt investments							
JPMorgan Asian Total Return Bond (Mth)	1	HK0000102936	Hong Kong	(255.3)	3,556.9	17.4	2.8
AB FCP I — American Income Portfolio (At USD)	2	LU0157308031	Luxembourg	(50.5)	3,716.7	18.1	3.0
				<u>(305.8)</u>	<u>7,273.6</u>	<u>35.5</u>	<u>5.8</u>
				<u>1,003.4</u>	<u>20,494.0</u>	<u>100.0</u>	<u>16.3</u>

Notes:

- 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 nine months ended 31 December 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\$25,583,000 and realised a gain of approximately HK\$3,723,000. 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
Hong Kong Education (Int'l) Investments Limited	1082	Incorporated in the Cayman Islands and continued in Bermuda	6,490	526
Investments with individual realised gain/(loss) of less than HK\$500,000			14,990	104
			25,583	3,723

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 31 December 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 31 December 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 31 December 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 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 31 December 2021, none of the Directors nor the chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

As at 31 December 2021, so far as is known to the Directors, the persons (other than Directors or chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Energy Luck Limited	Beneficial owner	23,978,816	11.99%
Mr. Wong Kui Shing, Danny	Interest in controlled corporation (<i>Note 1</i>)	23,978,816	11.99%
Masan Multi Strategy Fund SPC — Masan HK Equity Fund SP	Beneficial owner	30,003,200	15.00%
Masan Capital Limited	Investment manager (<i>Note 2</i>)	30,003,200	15.00%
Top Lion International Limited	Interest of a controlled corporation (<i>Note 2</i>)	30,003,200	15.00%

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 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 31 December 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.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

The following is the change in the information of the Directors subsequent to the 2021 annual report of the Company dated 29 June 2021 and up to the date of this announcement, which is required to be disclosed pursuant to the Rule 17.50A(1) of the GEM Listing Rules:

Mr. Lam Wai Hung

Appointed as the independent non-executive director of Kin Shing Holdings Limited (stock code: 1630), a company whose shares are listed on the Main Board of the Stock Exchange, on 31 December 2021.

Mr. Lam Wai Hung was an executive director of Ming Lam Holdings Limited (previous stock code: 1106, formerly known as Sino Haijing Holdings Limited) (“**Ming Lam**”) from 19 March 2015 to 4 September 2020. The shares of Ming Lam have been delisted from the Stock Exchange since 2 November 2021.

Mr. Wong Yuk Lun Alan

Appointed as the independent non-executive director of Kin Shing Holdings Limited (stock code: 1630), a company whose shares are listed on the Main Board of the Stock Exchange, on 16 December 2021.

Save as disclosed above, there are no other matters required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

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 nine months ended 31 December 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 to 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 third quarterly results of the Group for the nine months ended 31 December 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, 10 February 2022

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.