

# 智城發展控股有限公司

**SMART CITY DEVELOPMENT HOLDINGS LIMITED**

(Formerly known as “Deson Construction International Holdings Limited”)

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8268

## INTERIM REPORT 2020



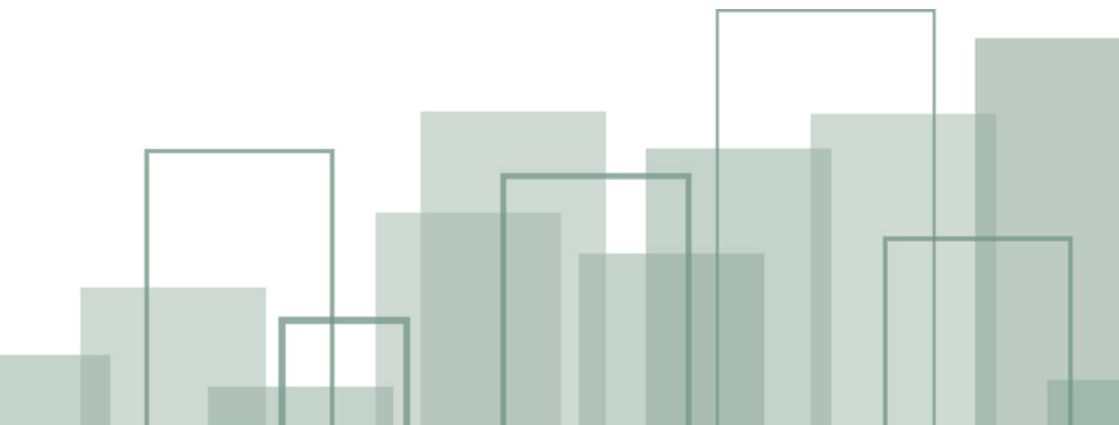
## CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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.

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



## 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 2020 (the “Reporting Period”), together with the unaudited comparative figures for the corresponding period in 2019, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>REVENUE</b>	4	<b>108,606</b>	180,309	<b>187,039</b>	306,957
Cost of sales		<b>(99,823)</b>	(169,127)	<b>(170,364)</b>	(290,002)
Gross profit		<b>8,783</b>	11,182	<b>16,675</b>	16,955
Other income and gains	4	<b>1,846</b>	626	<b>2,292</b>	957
Administrative expenses		<b>(8,865)</b>	(8,873)	<b>(16,741)</b>	(17,619)
Other operating income, net		<b>1,600</b>	153	<b>1,700</b>	165
Finance costs	6	<b>(116)</b>	(10)	<b>(133)</b>	(184)
<b>PROFIT BEFORE TAX</b>	5	<b>3,248</b>	3,078	<b>3,793</b>	274
Income tax expense	7	<b>(86)</b>	(775)	<b>(86)</b>	(775)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>3,162</b>	2,303	<b>3,707</b>	(501)
Attributable to:					
Owners of the Company		<b>3,284</b>	1,904	<b>3,872</b>	(1,153)
Non-controlling interests		<b>(122)</b>	399	<b>(165)</b>	652
		<b>3,162</b>	2,303	<b>3,707</b>	(501)
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8				
Basic		<b>HK0.33 cent</b>	HK0.19 cent	<b>HK0.39 cent</b>	HK(0.12) cent
Diluted		<b>HK0.33 cent</b>	HK0.19 cent	<b>HK0.39 cent</b>	HK(0.12) cent

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>3,162</b>	2,303	<b>3,707</b>	(501)
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(195)	214	(195)	379
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>2,967</b>	2,517	<b>3,512</b>	(122)
Attributable to:				
Owners of the Company	<b>3,373</b>	1,799	<b>3,961</b>	(1,329)
Non-controlling interests	<b>(406)</b>	718	<b>(449)</b>	1,207
	<b>2,967</b>	2,517	<b>3,512</b>	(122)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		38,422	38,966
Investment properties	10	8,250	8,250
Intangible asset		416	439
Total non-current assets		<b>47,088</b>	47,655
<b>CURRENT ASSETS</b>			
Loans receivable		14,640	3,980
Accounts receivable	11	45,941	61,945
Prepayments, deposits and other receivables		28,012	35,625
Contract assets		95,682	81,815
Financial assets at fair value through profit or loss	12	34,862	32,226
Tax recoverable		25	25
Pledged deposits		17,123	17,074
Cash and cash equivalents		140,879	107,689
Total current assets		<b>377,164</b>	340,379
<b>CURRENT LIABILITIES</b>			
Accounts payable	13	47,948	50,559
Other payables and accruals		64,792	64,432
Contract liabilities		188,918	163,702
Due to a non-controlling shareholder		700	1,500
Lease liabilities		455	618
Tax payable		2,072	1,909
Interest-bearing bank borrowings		17,794	7,132
Total current liabilities		<b>322,679</b>	289,852
<b>NET CURRENT ASSETS</b>		<b>54,485</b>	50,527
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>101,573</b>	98,182

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2020

		<b>30 September 2020</b>	31 March 2020
	Note	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Audited)
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>634</b>	755
Deferred tax liabilities		<b>400</b>	400
		<hr/>	<hr/>
Total non-current liabilities		<b>1,034</b>	1,155
		<hr/>	<hr/>
Net assets		<b>100,539</b>	97,027
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	15	<b>25,000</b>	25,000
Reserves		<b>85,142</b>	81,181
		<hr/>	<hr/>
		<b>110,142</b>	106,181
<b>Non-controlling interests</b>		<b>(9,603)</b>	(9,154)
		<hr/>	<hr/>
Total equity		<b>100,539</b>	97,027
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Attributable to owners of the Company								Non-controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Property revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 April 2019 (audited)	25,000	9,381	(5,372)	15,788	3,543	5,581	56,401	110,322	(10,609)	99,713
Profit/(loss) for the period	—	—	—	—	—	—	(1,153)	(1,153)	652	(501)
Other comprehensive income/(loss) for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	(176)	—	—	(176)	555	379
Total comprehensive income/(loss) for the period	—	—	—	—	(176)	—	(1,153)	(1,329)	1,207	(122)
Release of revaluation reserve	—	—	—	(230)	—	—	229	(1)	—	(1)
At 30 September 2019	25,000	9,381	(5,372)	15,558	3,367	5,581	55,477	108,992	(9,402)	99,590
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	25,000	9,381*	(5,372)*	14,347*	3,456*	5,581*	57,749*	110,142	(9,603)	100,539

\* These reserve accounts comprise the consolidated reserves of HK\$85,142,000 (31 March 2020: HK\$81,181,000) in the condensed consolidated statement of financial position as at 30 September 2020.

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 2020

	Notes	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>3,793</b>	274
Adjustments for:			
Finance costs	6	<b>133</b>	184
Interest income	4	<b>(1,403)</b>	(548)
Dividend income	4	<b>(27)</b>	—
Loss on disposal of items of property, plant and equipment	5	<b>12</b>	32
Fair value loss/(gain) on financial assets at fair value through profit or loss	4	<b>(3,974)</b>	3,279
Reversal of impairment of accounts receivable	5	<b>(1,717)</b>	(185)
Depreciation of property, plant and equipment	5	<b>636</b>	430
Amortisation of intangible assets	5	<b>23</b>	—
		<b>(2,524)</b>	3,466
Increase in contract assets		<b>(12,792)</b>	(2,888)
Decrease/(increase) in accounts receivable		<b>17,903</b>	(20,575)
Increase in loans receivable		<b>(10,660)</b>	—
Decrease/(increase) in financial assets at fair value through profit or loss		<b>1,338</b>	(562)
Decrease in prepayments, deposits and other receivables		<b>7,734</b>	65,272
Increase/(decrease) in accounts payable		<b>(4,079)</b>	7,353
Increase in contract liabilities		<b>24,572</b>	33,607
Increase in other payables and accruals		<b>104</b>	193
Movement in balances with related companies, net		<b>—</b>	5,888
Cash generated from operations		<b>21,596</b>	91,754
Interest paid		<b>(266)</b>	(223)
Overseas tax refunded/(paid)		<b>21</b>	(17)
Dividend received		<b>27</b>	—
Interest element on lease liabilities		<b>(30)</b>	—
Net cash flow from operating activities		<b>21,348</b>	91,514



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 September 2020

	<b>2020</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2019 HK\$'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>1,403</b>	548
Purchases of items of property, plant and equipment	<b>(75)</b>	(19,555)
Proceeds from disposal of items of property, plant and equipment	<b>—</b>	8
Decrease/(increase) in pledged deposits	<b>(49)</b>	9,273
	<hr/>	<hr/>
Net cash flows from/(used in) investing activities	<b>1,279</b>	(9,726)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Redemption of convertible bonds	<b>—</b>	(31,518)
New trust receipt loans	<b>6,790</b>	7,962
New short-term loans	<b>11,000</b>	—
Repayment of trust receipt loans	<b>(5,933)</b>	(14,875)
Principle portion of lease payments	<b>(311)</b>	—
Decrease in an amount due to a non-controlling shareholder	<b>(800)</b>	—
	<hr/>	<hr/>
Net cash flows from/(used in) financing activities	<b>10,746</b>	(38,431)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	<b>33,373</b>	43,357
Cash and cash equivalents at beginning of period	<b>106,490</b>	74,992
Effect of foreign exchange rate changes, net	<b>1,012</b>	(570)
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>140,875</b>	117,779
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents stated in the condensed consolidated statement of financial position	<b>140,879</b>	124,292
Cash and cash equivalents of a disposal group classified as held for sale	<b>—</b>	2
Bank overdrafts, secured	<b>(4)</b>	(6,515)
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>140,875</b>	117,779



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Smart City Development Holdings Limited (formerly known as Deson Construction International 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.

Pursuant to a special resolution passed by the Company’s shareholders at the annual general meeting on 20 August 2020, the name of the Company has been changed from Deson Construction International Holdings Limited (迪臣建設國際集團有限公司) to Smart City Development Holdings Limited (智城發展控股有限公司) with effect from 27 August 2020.

## 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 2020.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2020, 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 2020.

## 2. BASIS OF PREPARATION (Continued)

The Group has initially adopted the following new and revised HKFRSs for the financial period beginning on or after 1 April 2020:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The application of the new and amendments to HKFRSs in the current period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated 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 (2019: three) 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.

### 3. OPERATING SEGMENT INFORMATION (Continued)

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 2020				Six months ended 30 September 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
<b>Segment revenue:</b>										
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
	<b>107,095</b>	<b>2,688</b>	<b>–</b>	<b>351</b>	<b>110,134</b>	<b>183,907</b>	<b>4,194</b>	<b>20</b>	<b>491</b>	<b>188,612</b>
<b>Segment results</b>										
Operating profit/(loss)	1,719	2,688	(139)	292	4,560	868	4,194	(132)	342	5,272
<b>Reconciliation:</b>										
Interest income					318					719
Unallocated expenses					(1,514)					(2,065)
Finance costs					(116)					(133)
Profit before tax					<b>3,248</b>					<b>3,793</b>
<b>Other segment information:</b>										
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

	(Unaudited)				(Unaudited)					
	Three months ended 30 September 2019				Six months ended 30 September 2019					
	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
<b>Segment revenue:</b>										
Income from external customers	180,763	(564)	110	–	180,309	309,986	(3,279)	250	–	306,957
Other income and gains	322	–	–	–	322	409	–	–	–	409
	<b>181,085</b>	<b>(564)</b>	<b>110</b>	<b>–</b>	<b>180,631</b>	<b>310,395</b>	<b>(3,279)</b>	<b>250</b>	<b>–</b>	<b>307,366</b>
<b>Segment results</b>										
Operating profit/(loss)	5,052	(564)	71	–	4,559	6,257	(3,279)	182	–	3,160
<b>Reconciliation:</b>										
Interest income					304					548
Unallocated expenses					(1,775)					(3,250)
Finance costs					(10)					(184)
Profit before tax					<b>3,078</b>					<b>274</b>
<b>Other segment information:</b>										
Reversal of impairment of accounts receivable	(185)	–	–	–	(185)	(185)	–	–	–	(185)
Loss on disposal of items of property, plant and equipment	32	–	–	–	32	32	–	–	–	32
Depreciation of property, plant and equipment	238	–	–	–	238	430	–	–	–	430

### 3. OPERATING SEGMENT INFORMATION (Continued)

#### Geographical information of income from external customers

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Hong Kong	<b>72,710</b>	117,346	<b>139,427</b>	218,623
Mainland China	<b>35,896</b>	62,963	<b>47,612</b>	88,334
	<b>108,606</b>	180,309	<b>187,039</b>	306,957

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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Revenue from contracts with customers</b>				
Income from the construction contracting and related businesses	<b>105,567</b>	180,763	<b>182,334</b>	309,986
<b>Revenue from other sources</b>				
Fair value gain/(loss) on equity investments at fair value through profit or loss, net	<b>2,579</b>	(564)	<b>3,974</b>	(3,279)
Dividend income from equity investment at fair value through profit or loss	<b>12</b>	—	<b>27</b>	—
Interest income on debt investments at fair value through profit or loss	<b>97</b>	—	<b>193</b>	—
Interest income on loans receivable	<b>351</b>	—	<b>491</b>	—
Rental income from property investment business	—	110	<b>20</b>	250
	<b>108,606</b>	180,309	<b>187,039</b>	306,957
<b>Other income and gains</b>				
Interest income	<b>318</b>	304	<b>719</b>	548
Government grants*	<b>1,468</b>	—	<b>1,468</b>	—
Others	<b>60</b>	322	<b>105</b>	409
	<b>1,846</b>	626	<b>2,292</b>	957

\* The government grants are 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.

## 4. REVENUE, OTHER INCOME AND GAINS (Continued)

### Revenue from contracts with customers

#### (i) Disaggregated revenue information

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Building construction works	17,992	46,396	32,806	83,732
Electrical and mechanical engineering works	40,149	36,753	79,719	54,214
Fitting-out works	47,426	97,612	69,809	172,040
Total revenue from contracts with customers transferred over time	105,567	180,763	182,334	309,986

For the three months and six months ended 30 September 2020, the revenue from contracts with customers of HK\$105,567,000 and HK\$182,334,000, respectively is 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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Cost of construction contracting	<b>99,823</b>	169,127	<b>170,364</b>	290,002
Depreciation of property, plant and equipment	<b>384</b>	238	<b>636</b>	430
Amortisation of an intangible asset	<b>12</b>	—	<b>23</b>	—
Lease payments not included in the measurement of lease liabilities	<b>935</b>	843	<b>1,750</b>	1,701
Rental income on investment properties	—	(110)	<b>(20)</b>	(250)
Less: outgoings	<b>5</b>	11	<b>10</b>	20
Net rental expenses/(income)	<b>5</b>	(99)	<b>(10)</b>	(230)
Employee benefit expense (including directors' remuneration):				
Wages, salaries and allowances	<b>7,020</b>	7,739	<b>14,139</b>	15,480
Pension scheme contributions*	<b>361</b>	264	<b>516</b>	466
Less: Amount included in cost of construction contracting	<b>(2,200)</b>	(2,621)	<b>(4,615)</b>	(5,512)
	<b>5,181</b>	5,382	<b>10,040</b>	10,434
Directors' remuneration:				
Fee	<b>300</b>	239	<b>146</b>	389
Salaries and allowances	—	385	—	1,510
Pension scheme contributions	—	11	—	46
	<b>300</b>	635	<b>146</b>	1,945
Loss on disposal of items of property, plant and equipment <sup>^</sup>	<b>8</b>	32	<b>12</b>	32
Foreign exchange differences, net <sup>^</sup>	<b>2</b>	—	<b>2</b>	(12)
Reversal of impairment of accounts receivable <sup>^</sup>	<b>(1,612)</b>	(185)	<b>(1,717)</b>	(185)

\* As at 30 September 2020, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (31 March 2020: Nil).

<sup>^</sup> These amounts are included in "Other operating income, net" on the face of the condensed consolidated statement of profit or loss.

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	(Unaudited) Three months ended 30 September 2020		(Unaudited) Six months ended 30 September 2020	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Interest on lease liabilities	14	—	30	—
Interest on interest-bearing bank borrowings	134	52	266	223
Interest on convertible bonds (note 14)	—	—	—	172
Less: Interest capitalised	(32)	(42)	(163)	(211)
	<b>116</b>	10	<b>133</b>	184

## 7. INCOME TAX

Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2020 and 2019, 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) Three months ended 30 September 2020		(Unaudited) Six months ended 30 September 2020	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Current — Hong Kong Charge for the period	86	775	86	775



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

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 1,000,000,000 (30 September 2019: 1,000,000,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2020.

For the six months ended 30 September 2019, the calculation of diluted loss per share amount was based on the loss for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during that period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
<b>Earnings</b>				
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	<b>3,284</b>	1,904	<b>3,872</b>	(1,153)
Interest on convertible bonds (note 6)	—	—	—	172
	<hr/>			
Profit/(loss) attributable to ordinary equity holders of the Company before the effect of convertible bonds	<b>3,284</b>	1,904	<b>3,872</b>	(981)
	<hr/>			

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

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2020	2019	2020	2019
<b>Shares</b>				
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>1,000,000,000</b>	1,000,000,000	<b>1,000,000,000</b>	1,000,000,000
Effect of dilution				
— weighted average number of ordinary shares:				
Convertible bonds <sup>#</sup>	—	103,000,000	—	103,000,000
	<b>1,000,000,000</b>	1,103,000,000 <sup>#</sup>	<b>1,000,000,000</b>	1,103,000,000 <sup>#</sup>

<sup>#</sup> For the six months ended 30 September 2019, because the diluted loss per share amount decreased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic loss per share for that period and were ignored in the calculation of diluted loss per share for that period. Therefore, the diluted loss per share amount for the six months ended 30 September 2019 was based on the loss attributable to owners of the Company for that period of HK\$1,153,000 and the weighted average number of ordinary shares in issue of 1,000,000,000 for that period.

## 9. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

## 10. INVESTMENT PROPERTIES

	<b>(Unaudited)</b> <b>30 September</b> <b>2020</b> <b>HK\$'000</b>	(Audited) 31 March 2020 HK\$'000
Carrying amount at beginning of period/year	<b>8,250</b>	19,520
Net gain from fair value adjustment	—	(870)
Disposal of subsidiaries	—	(10,400)
	<hr/>	<hr/>
Carrying amount at end of period/year	<b>8,250</b>	8,250

## 11. ACCOUNTS RECEIVABLE

	<b>(Unaudited)</b> <b>30 September</b> <b>2020</b> <b>HK\$'000</b>	(Audited) 31 March 2020 HK\$'000
Accounts receivable	<b>58,674</b>	76,092
Impairment	<b>(12,733)</b>	(14,147)
	<hr/>	<hr/>
	<b>45,941</b>	61,945

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.

## 11. ACCOUNTS RECEIVABLE (Continued)

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:

	<b>(Unaudited)</b> <b>30 September</b> <b>2020</b> <b>HK\$'000</b>	(Audited) 31 March 2020 HK\$'000
Within 90 days	<b>25,204</b>	54,725
91 to 180 days	<b>1,735</b>	2,458
181 to 360 days	<b>16,999</b>	889
Over 360 days	<b>2,003</b>	3,873
	<hr/>	<hr/>
Total	<b>45,941</b>	61,945

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>(Unaudited)</b> <b>30 September</b> <b>2020</b> <b>HK\$'000</b>	(Audited) 31 March 2020 HK\$'000
Listed equity investments, at fair value	<b>27,249</b>	25,162
Unlisted debt investments, at fair value	<b>7,613</b>	7,064
	<hr/>	<hr/>
	<b>34,862</b>	32,226

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.

### 13. 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:

	<b>(Unaudited)</b> <b>30 September</b> <b>2020</b> <b>HK\$'000</b>	(Audited) 31 March 2020 HK\$'000
Within 90 days	<b>2,747</b>	7,245
91 to 180 days	<b>—</b>	9,842
181 to 360 days	<b>14,171</b>	15,444
Over 360 days	<b>31,030</b>	18,028
	<hr/> <b>47,948</b>	<hr/> 50,559

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.

### 14. CONVERTIBLE BONDS

On 18 April 2016, the Group issued 2% convertible bonds with a nominal value of HK\$30,900,000. The bonds were convertible at the option of the bondholders into ordinary shares in the period commencing on 12 months from the issuance date of these convertible bonds and expiring on the date which was seven days preceding 19 April 2019 on the basis of HK\$0.3 per conversion share, subject to adjustments. The convertible bonds were fully redeemed by the Group on 18 April 2019.

The proceeds from the issuance of the convertible bonds of HK\$30,900,000 were split into liability and derivative components on the issuance date. Upon the issuance of the convertible bonds, the fair value of the derivative component was determined using an option pricing model and this amount was carried as a derivative component of the liability until extinguished on conversion or redemption. The remainder of the proceeds was allocated to the liability component and was carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative component was measured at fair value on the issue date and any subsequent changes in fair value of the derivative component as at the end of the Reporting Period were recognised in profit or loss.

## 14. CONVERTIBLE BONDS (Continued)

The movements of the liability component and the derivative component of the convertible bonds are as follows:

	<b>Liability component HK\$'000</b>	<b>Derivative component HK\$'000</b>	<b>Total HK\$'000</b>
At 1 April 2019	31,346	—	31,346
Interest paid	(618)	—	(618)
Interest expense (note 6)	172	—	172
Redemption	(30,900)	—	(30,900)
<hr/>			
At 30 September 2019, 31 March 2020 and 30 September 2020	—	—	—

## 15. SHARE CAPITAL

	<b>(Unaudited) 30 September 2020 HK\$'000</b>	(Audited) 31 March 2020 HK\$'000
<b>Authorised:</b>		
4,000,000,000 ordinary shares of HK\$0.025 each	<b>100,000</b>	100,000
<b>Issued and fully paid:</b>		
1,000,000,000 ordinary shares of HK\$0.025 each	<b>25,000</b>	25,000

## 16. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Management fees received from a subsidiary of the Company's previous substantial shareholder	(i)	—	—	—	21
Rental expenses paid to a subsidiary of the Company's previous substantial shareholder	(ii)	—	—	—	543

Notes:

- (i) The management fees received were charged with reference to actual costs incurred for the services provided by the Group.
- (ii) Rental expenses were charged by a subsidiary of the Company's previous substantial shareholder, at HK\$209,000 (2019: HK\$209,000) per month.

### (b) Compensation of key management personnel of the Group:

The key management personnel of the Group are the Directors of the Company. Details of their remuneration are disclosed in note 5 to the financial statements.

The related party transactions in respect of items (a)(i) and (ii) above also constitute continuing connected transactions and connected transactions as defined in Chapter 20 of the GEM Listing Rules. These transactions have ceased to be related party transactions, continuing connected transactions or connected transactions since 18 June 2019.

## 17. 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)	(Audited)	(Unaudited)	(Audited)
	30 September	31 March	30 September	31 March
	2020	2020	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss (note 12)	<b>34,862</b>	32,226	<b>34,862</b>	32,226

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.



## 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### 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 2020*

	(Unaudited)			Total HK\$'000
	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through profit or loss				
— Listed equity investments	27,249	—	—	27,249
— Unlisted debt investments	—	7,613	—	7,613
	<b>27,249</b>	<b>7,613</b>	<b>—</b>	<b>34,862</b>

*As at 31 March 2020*

	(Audited)			Total HK\$'000
	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through profit or loss				
— Listed equity investments	25,162	—	—	25,162
— Unlisted debt investments	—	7,064	—	7,064
	<b>25,162</b>	<b>7,064</b>	<b>—</b>	<b>32,226</b>



## 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 we provide 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 earn rental income; and (iv) money lending business.

The Group's revenue for the six months ended 30 September 2020 amounted to approximately HK\$187,039,000 which represented a decrease of approximately 39% from approximately HK\$306,957,000 for the six months ended 30 September 2019. For construction business segment, revenue for the six months ended 30 September 2020 amounted to approximately HK\$182,334,000 which represented a decrease of 41% from approximately HK\$309,986,000 for the six months ended 30 September 2019. For securities investment segment, revenue for the six months ended 30 September 2020 amounted to a gain of approximately HK\$4,194,000 which represented an increase of approximately 228% from a loss of approximately HK\$3,279,000 for the six months ended 30 September 2019. For property investment segment, revenue for the six months ended 30 September 2020 amounted to approximately HK\$20,000 which represented a decrease of approximately 92% from approximately HK\$250,000 for the six months ended 30 September 2019. For money lending business segment, revenue for the six months ended 30 September 2020 amounted to approximately HK\$491,000, while nil for the six months ended 30 September 2019.

#### (i) Construction business segment

##### (a) *Building construction works:*

For the six months ended 30 September 2020, revenue recorded from building construction works amounted to approximately HK\$32,806,000 (six months ended 30 September 2019: HK\$83,732,000). The decrease of 61% when compared with the corresponding period in 2019 was mainly due to recognition of a large portion of revenue from the main construction works of the residential redevelopment works at Peak Road House A, Hong Kong which was commenced in January 2018 in the last reporting period.



**(b) Electrical and mechanical engineering works:**

For the six months ended 30 September 2020, revenue generated from electrical and mechanical engineering works amounted to approximately HK\$79,719,000 (six months ended 30 September 2019: HK\$54,214,000).

The significant increase of approximately 47% when compared to the corresponding period in 2019 was mainly due to the (i) triennial term contract for operation and maintenance of air-conditioning installations at Attended Municipal Venues in Hong Kong commenced in April 2020; and (ii) additional revenue recognised for projects including replacement of automatic fire alarm system at Pamela Youde Nethersole Eastern Hospital and 2-year term contract for building services installation works for Sogo Department Store.

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


For the six months ended 30 September 2020, revenue generated from interior fitting-out works amounted to approximately HK\$69,809,000 (six months ended 30 September 2019: HK\$172,040,000).

The significant decrease of approximately 59% when compared to the corresponding period in 2019 was mainly due to (i) the interior fitting-out works at House A and House C at Stubbs Road, Hong Kong having generated more revenue in the last reporting period were almost completed in March 2020 and therefore not much revenue recognised in the reporting period; and (ii) Beijing city has just resumed gradually to normal business and therefore less revenue was recognised in the Reporting Period.

**(ii) Investment in marketable securities segment**

For the six months ended 30 September 2020, gain recorded from this segment amounted to approximately HK\$4,194,000 (six months ended 30 September 2019: loss of approximately HK\$3,279,000).

As at 30 September 2020, the Group managed a portfolio of listed equity investments and fund investments with fair value of approximately HK\$34,862,000 (31 March 2020: HK\$32,226,000) 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\$2,034,000 (six months ended 30 September 2019: loss of HK\$435,000); (ii) a realised gain of approximately HK\$1,940,000 (six months ended 30 September 2019: loss of HK\$2,844,000); (iii) interest income received from unlisted debt investments of approximately HK\$193,000 (six months ended 30 September 2019: nil); and (iv) dividend income received from equity investments of approximately HK\$27,000 (six months ended 30 September 2019: nil). Details of the marketable securities are disclosed under the section “**SIGNIFICANT INVESTMENTS**”.

**(iii) Property investment segment**

For the six months ended 30 September 2020, revenue recorded from this segment amounted to approximately HK\$20,000 (six months ended 30 September 2019: HK\$250,000). 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 2020, revenue recorded from this segment amounted to approximately HK\$491,000 (six months ended 30 September 2019: nil).

Basic earnings per share is HK0.39 cent for the six months ended 30 September 2020.



## **Status of the legal case**

As stated in the announcement of the Company dated 21 December 2017, the Group has reported to the Beijing Public Security Bureau a 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 Architectural & Decoration Co., Limited. The matter is currently under the investigation of the Beijing Public Security Bureau. The Group has instructed its legal advisers in the PRC to take various actions to recover the funds/damages. As at the date of this report, we are unable to ascertain the recoverability of the funds transferred or damage caused.

The Group will make further announcement when there is any significant development in respect of the matter.

## **Financial Review**

### ***Revenue***

For the six months ended 30 September 2020, the Group's revenue amounted to approximately HK\$187 million, decreased by approximately 39% 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 the PRC.

### ***Gross profit margin***

Our gross profit remained unchanged at approximately HK\$17.0 million for the six months ended 30 September 2019 and the six months ended 30 September 2020.

During the six months ended 30 September 2020, the gross profit margin was approximately 8.9%, improved by approximately 3.4 percentage points as compared to last period's 5.5%. This was mainly because of the loss incurred for the investment in marketable securities in the last reporting period.

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 6.6%, up by approximately 0.1 percentage point as compared to last period's 6.5%.

### ***Other income and gains***

Other income increased by approximately HK\$1.3 million or 139% from approximately HK\$1.0 million for the six months ended 30 September 2019 to approximately HK\$2.3 million for the six months ended 30 September 2020. The increase was mainly due to the increase in government grants during this Reporting Period.



### ***Administrative expenses***

Administrative expenses decreased by approximately HK\$0.9 million or 5.0% from approximately HK\$17.6 million for the six months ended 30 September 2019 to approximately HK\$16.7 million for the six months ended 30 September 2020. The decrease was mainly due to the decrease in legal and professional fees and directors' remuneration during this Reporting Period.

### ***Finance costs***

Finance costs decreased by approximately HK\$51,000 or 28% from approximately HK\$184,000 for the six months ended 30 September 2019 to approximately HK\$133,000 for the six months ended 30 September 2020. The decrease was mainly due to the redemption of the convertible bonds in April 2019.

### ***Dividend***

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

### ***Liquidity and financial resources***

The Group continued to maintain a suitable liquid position. As at 30 September 2020, the Group had cash and cash equivalents of HK\$140,879,000 (31 March 2020: HK\$107,689,000) mainly in Hong Kong dollars and Renminbi. As at 30 September 2020, the Group had total assets of HK\$424,252,000 (31 March 2020: HK\$388,034,000). The Group's current ratio as at 30 September 2020 was 1.17 compared to 1.17 as at 31 March 2020.

As at 30 September 2020, the gearing ratio for the Group was 1% (31 March 2020: 1%). It was calculated based on the non-current liabilities of HK\$1,034,000 (31 March 2020: HK\$1,155,000) and long term capital (equity and non-current liabilities) of HK\$101,573,000 (31 March 2020: HK\$98,182,000).

### ***Capital expenditure***

The Group's total capital expenditure for the six months ended 30 September 2020 was approximately HK\$75,000, 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\$19,794,000 (31 March 2020: HK\$20,100,000); and
- (ii) the pledge of the Group's deposits of HK\$17,123,000 (31 March 2020: HK\$17,074,000).

### ***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***

There is no change in capital structure of the Group during the period ended 30 September 2020.



## PROSPECTS

### (i) Construction Business

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

With its proven track records and adequate expertise in the main contracting business, the Group was included in Building Category Group C of the “List of Approved Contractors for Public Works”, and Turn-key Interior Design and Fitting-out Works Category Group II of the “List of Approved Suppliers of Materials and Specialist Contractors for Public Works” 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 renovation, alterations and additions works for the Hong Kong Polytechnic University at Hung Hom Laboratory and Hong Kong Science Park, E&M works for the advanced works for the Regent Hotel refurbishment at Tsim Sha Tsui, replacement of chillers and other accessories at various municipal venues, in Hong Kong Region; animal shelter, supporting facilities and indoor and outdoor exhibition areas at Beijing Wildlife Park at Beijing and Sephora beauty-retail shops renovation in various provinces in mainland china, the PRC were secured. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$1,289 million.






With the Group's proven track record, comprehensive services and numerous licences, permits and qualifications, the Directors believe that the Group could strengthen its position in the Hong Kong market and diversify its customer base particularly by attracting larger corporate customers and tenders for more capital intensive projects for such customers. The overall building and construction expenditure maintained its uptrend which was contributed by the growth in private building and construction position in Hong Kong to capture more sizeable and profitable projects as well as to further diversify the customer base by bidding works from more private residential developers.

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 property consisted of one commercial property in Hong Kong. The Directors have determined that the investment property was commercial property, based on the nature, characteristics and risks of the property. 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 2020, the Group held approximately HK\$34,862,000 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 %
<b>Listed equity investments</b>							
Ban Loong Holdings Limited	1	30	Bermuda	285.0	1,738.5	5.0	1.73
Hong Kong Education (Int'l) Investments Limited	2	1082	Incorporated in the Cayman Islands and continued in Bermuda	1,804.0	4,956.0	14.3	4.93
Eternity Technology Holdings Limited	3	1725	Cayman Islands	(151.4)	3,224.0	9.2	3.21
Fire Rock Holdings Limited	4	1909	Cayman Islands	1,243.4	3,494.4	10.0	3.48
Hands Form Holdings Limited	5	1920	Cayman Islands	622.6	4,478.8	12.8	4.45
ArtGo Holdings Limited	6	3313	Cayman Islands	(300.2)	1,720.0	4.9	1.71
Hang Tai Yue Group Holdings Limited	7	8081	Bermuda	29.0	1,596.0	4.6	1.59
EJE (Hong Kong) Holdings Limited	8	8101	Cayman Islands	(1,747.7)	3,037.1	8.7	3.02
Individual investments representing less than 1% of net assets of the Group				(301.7)	3,004.2	8.6	2.99
				1,483.0	27,249.0	78.1	27.11
<b>Unlisted debt investments</b>							
JPMorgan Asian Total Return Bond (Mth)	9	HK0000102936	Hong Kong	247.0	3,820.4	11.0	3.80
AB FCP I — American Income Portfolio (At USD)	10	LU0157308031	Luxembourg	303.6	3,792.3	10.9	3.77
				550.6	7,612.7	21.9	7.57
				2,033.6	34,861.7	100.0	34.68



Notes:

1. Ban Loong Holdings Limited, previously ABC Communications (Holdings) Limited, is a Hong Kong-based investment holding company principally engaged in finance and mining-related businesses. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$800,729,000 as at 31 March 2020.
2. 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\$107,949,000 as at 30 June 2020.
3. Eternity Technology Holdings Limited is principally engaged in the business of electronics manufacturing services. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately RMB598,224,000 as at 30 June 2020.
4. Fire Rock Holdings Limited is a Hong Kong-based investment holding company principally engaged in the development of browser and mobile games. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately RMB557,974,000 as at 30 June 2020.
5. Hands Form Holdings Limited is principally engaged in the provision of wet trades works (including plastering on floors, walls and ceilings, tile laying on internal and external walls and floors, brick laying and marble works) and other wet trades related ancillary works in Hong Kong. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$232,443,000 as at 30 June 2020.
6. ArtGo Holdings Limited is an investment holding company principally engaged in mining, processing, distribution and sales of marble stones. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately RMB1,731,430,000 as at 30 June 2020.
7. Hang Tai Yue Group Holdings Limited, formerly Interactive Entertainment China Cultural Technology Investments Limited, is an investment holding company mainly engaged in the mobile internet cultural business and provision of information technology (IT) services. Along with subsidiaries, the company operates its business through four segments. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$341,597,000 as at 30 June 2020.
8. EJE (Hong Kong) Holdings Limited is principally engaged (i) manufacture of custom-made furniture; (ii) property investment; (iii) securities investment; (iv) money lending; and (v) the design, manufacture and sale of mattress and soft bed products. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net asset value of approximately HK\$393,374,000 as at 31 March 2020.

9. 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.
10. 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 2020, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$17,463,000 and gain recognised in revenue for the amount of approximately HK\$1,940,000. Details of the transactions are as follows:

	<b>Stock code</b>	<b>Place of incorporation</b>	<b>Sales proceeds</b> HK\$'000	<b>Realised gain</b> HK\$'000
Hong Kong Education (Int'l) Investments Limited	1082	Incorporated in the Cayman Islands and continued in Bermuda	2,868	991
C-LINK Squared Limited Investments with individual realised gain/(loss) less than HK\$500,000	1463	Cayman Islands	3,550 11,045	740 209
			17,463	1,940

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 report, our Group did not have other plans for material investment or capital assets as at 30 September 2020.



## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the six months ended 30 September 2019, there were no material acquisitions or disposals of subsidiaries and affiliated companies by the Group.

## HUMAN RESOURCES


As at 30 September 2020, the Group had 93 employees, 25 of whom were based in the PRC. The total employee benefit expenses including directors' emoluments for the six months ended 30 September 2020 amounted to approximately HK\$10,040,000 as compared to approximately HK\$10,434,000 for the same period in 2019. The decrease was mainly due to the decrease in directors' remuneration in the current 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 2020.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the 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 2020.

## **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 2020, 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 2020, 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 2020, 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	167,302,082	16.73%
Mr. Wong Kui Shing, Danny	Interest in controlled corporation (Note)	167,302,082	16.73%

Note: 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.

Save as disclosed above, as at 30 September 2020, 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 UNDER RULE 17.50A(1) OF THE GEM LISTING RULES

The following is the change in the information of the Directors since the annual report of the Company dated 22 June 2020, which is required to be disclosed pursuant to the Rule 17.50A(1) of the GEM Listing Rules:

### Mr. Wong Yuk Lun Alan

Appointed as an executive director of NOVA Group Holdings Limited (stock code: 1360), a company with its shares listed on the Main Board of the Stock Exchange, on 15 July 2020.

Resigned as an independent non-executive director of TUS International Limited (stock code: 872), a company with its shares listed on the Main Board of the Stock Exchange, on 17 July 2020.



### Mr. Lam Wai Hung

Resigned as an independent non-executive director of Ming Lam Holdings Limited (stock code: 1106), a company with its shares listed on the Main Board of the Stock Exchange, on 4 September 2020.

## DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

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

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

\* listed on the Main Board of the Stock Exchange

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

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

## 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 2020.



## 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.

## 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 report, the audit committee comprises three independent non-executive Directors, namely Mr. Wong Yuk Lun Alan, Mr. Lam Wai Hung and Ms. Au Shui Ming Anna (the "**Audit Committee Members**").

The unaudited interim results of the Group for the six months ended 30 September 2020 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 November 2020

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