

智城發展控股有限公司

SMART CITY DEVELOPMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8268

FIRST QUARTERLY REPORT 2023



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



FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 30 June 2023 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 June 2023

		(Unaudited)	
		Three months ended 30 June	
		2023	2022
	Notes	HK\$'000	HK\$'000
REVENUE	4	95,344	68,762
Cost of sales		(91,327)	(63,399)
Gross profit		4,017	5,363
Other income and gains	4	683	436
Administrative expenses		(9,782)	(9,449)
Other operating income/(expenses), net		908	(61)
Finance costs	6	(39)	(8)
LOSS BEFORE TAX	5	(4,213)	(3,719)
Income tax	7	-	-
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(4,213)	(3,719)
LOSS PER SHARE	8		
Basic and diluted		HK(1.76) cents	HK(1.86) cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2023

	Attributable to owners of the Company					Total equity HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2022 (audited)	25,000	9,381	(5,372)	15,976	85,386	130,371
Loss for the period and total comprehensive loss for the period	-	-	-	-	(3,719)	(3,719)
Release of property revaluation reserve	-	-	-	(141)	141	-
At 30 June 2022	25,000	9,381	(5,372)	15,835	81,808	126,652
At 1 April 2023 (audited)	30,000	35,258	(5,372)	16,078	74,977	150,941
Loss for the period and total comprehensive loss for the period	-	-	-	-	(4,213)	(4,213)
Release of property revaluation reserve	-	-	-	(164)	164	-
At 30 June 2023	30,000	35,258	(5,372)	15,914	70,928	146,728



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally involved in the following activities: (i) acting as a contractor in the construction business to provide building construction works, electrical and mechanical engineering works and alterations, addition, renovation, refurbishment and fitting-out works, mainly in Hong Kong and Macau; (ii) investment in marketable securities; (iii) investment in properties; and (iv) money lending.

2. BASIS OF PREPARATION

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

2. BASIS OF PREPARATION (Continued)

The accounting policies adopted in preparing the unaudited condensed consolidated financial results for the Reporting Period are consistent with those adopted in the audited consolidated financial statements for the year ended 31 March 2023.

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 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFES 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four (three months ended 30 June 2022: 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 segment.

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

3. OPERATING SEGMENT INFORMATION (Continued)

For the three months ended 30 June

	Construction business		Securities investment		Property investment		Money lending business		Total	
	(unaudited) 2023	(unaudited) 2022	(unaudited) 2023	(unaudited) 2022	(unaudited) 2023	(unaudited) 2022	(unaudited) 2023	(unaudited) 2022	(unaudited) 2023	(unaudited) 2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Revenue from contracts with customers	95,888	67,190	-	-	-	-	-	-	95,888	67,190
From other sources	-	-	(1,473)	747	148	153	781	672	(544)	1,572
Other income and gains	103	248	-	-	-	8	-	-	103	256
	95,991	67,438	(1,473)	747	148	161	781	672	95,447	69,018
Segment results:										
Operating (loss)/profit	(1,903)	(3,216)	(2,014)	747	(395)	(11)	360	332	(3,952)	(2,148)
<i>Reconciliation:</i>										
Interest income									580	180
Unallocated expenses									(802)	(1,743)
Finance costs									(39)	(8)
Loss before tax									(4,213)	(3,719)
Other segment information:										
Reversal of impairment of accounts receivable, net	(924)	(32)	-	-	-	-	-	-	(924)	(32)
Loss on disposal of items of property, plant and equipment	16	93	-	-	-	-	-	-	16	93
Amortisation of an intangible asset	-	-	-	-	-	-	11	11	11	11
Depreciation of property, plant and equipment	287	285	-	-	-	44	167	181	454	510
Interest on lease liabilities	9	7	-	-	-	-	-	1	9	8

4. REVENUE, OTHER INCOME AND GAINS

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

	(Unaudited)	
	Three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Income from the construction contracting and related businesses	95,888	67,190
Revenue from other sources		
Fair value (loss)/gain on financial assets at fair value through profit or loss, net	(1,641)	653
Interest income on debt investments at fair value through profit or loss	168	94
Interest income on loans receivable	781	672
Gross rental income	148	153
	95,344	68,762

Revenue from contracts with customers

(i) Disaggregated revenue information

	(Unaudited)	
	Three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Types of goods or services		
Building construction works	47,762	26,205
Electrical and mechanical engineering works	45,574	40,186
Fitting-out works	2,552	799
	95,888	67,190

For the Reporting Period, the revenue generated from contracts with customers of HK\$95,888,000 (30 June 2022: HK\$67,190,000) is the same as the amounts of income generated from external customers under the construction business segment.

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligation

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

Construction contracting and other related services

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

Other income and gains

An analysis of other income and gains is as follows:

	(Unaudited)	
	Three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Other income and gains		
Interest income	580	180
Government grants*	–	216
Others	103	40
	683	436

- * The government grants are subsidy granted under the Employment Support Scheme of the Government of Hong Kong Special Administrative Region to retain employment and combat Covid-19. As at the end of the reporting period, there were no unfulfilled conditions or contingencies relating to these grants.

5. LOSS BEFORE TAX

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

	(Unaudited)	
	Three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Cost of construction contracting	91,327	63,399
Depreciation of property, plant and equipment	454	510
Amortisation of an intangible asset	11	11
Lease payments not included in the measurement of lease liabilities	954	972
Rental income on investment properties	(148)	(153)
Less: outgoings	21	14
	<hr/>	<hr/>
Net rental income	(127)	(139)
Employee benefit expense (including directors' remuneration):		
Wages, salaries and allowances	9,031	7,544
Pension scheme contributions*	218	262
Less: Amount included in cost of construction contracting	(2,748)	(2,126)
	<hr/>	<hr/>
	6,501	5,680
Loss on disposal of items of property, plant and equipment	16	93
Reversal of impairment of accounts receivable, net	(924)	(32)
	<hr/>	<hr/>

* At 30 June 2023, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (30 June 2022: Nil).

6. FINANCE COSTS

An analysis of finance costs is as follows:

	(Unaudited)	
	Three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Interest on lease liabilities	9	8
Interest on bank and other borrowings	136	–
Less: Interest capitalised	(106)	–
	<hr/>	
	39	8
	<hr/>	

7. INCOME TAX

Hong Kong profits tax had been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the three months ended 30 June 2023 and 2022, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during that period or the Group's subsidiaries had available tax losses brought forward from prior years to offset the assessable profits generated during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 240,000,000 (2022: 200,000,000) in issue during the period. The Group had no potentially diluted ordinary shares in issue during the three months ended 30 June 2023.

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

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

	(Unaudited)	
	Three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	(4,213)	(3,719)

	(Unaudited)	
	Three months ended 30 June	
	2023	2022
	Number of Shares	Number of Shares
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	240,000,000	200,000,000

9. DIVIDEND

The Board does not recommend the payment of any interim dividend for the Reporting Period (three months ended 30 June 2022: Nil).

10. SHARE CAPITAL

Shares

	(Unaudited)	(Audited)
	30 June	31 March
	2023	2023
	HK\$'000	HK\$'000
Authorised:		
800,000,000 ordinary shares of HK\$0.125 each	100,000	100,000
Issued and fully paid:		
240,000,000 ordinary shares of HK\$0.125 each	30,000	30,000

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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

The Group's revenue for the Reporting Period recorded at approximately HK\$95,344,000, which represented an increase of approximately 39% from approximately HK\$68,762,000 for the three months ended 30 June 2022. For the construction business segment, revenue for the Reporting Period amounted to approximately HK\$95,888,000, which represented an increase of approximately 43% from approximately HK\$67,190,000 for the three months ended 30 June 2022. For securities investment segment, revenue for the Reporting Period recorded at a loss of approximately HK\$1,473,000, which represented a decrease of approximately 297% from a gain of approximately HK\$747,000 for the three months ended 30 June 2022. For property investment segment, revenue for the Reporting Period amounted to approximately HK\$148,000, which represented a decrease of approximately 3% from approximately HK\$153,000 for the three months ended 30 June 2022. For money lending business segment, revenue for the Reporting Period recorded at approximately HK\$781,000, which represented an increase of approximately 16% from approximately HK\$672,000 for the three months ended 30 June 2022.

(i) Construction Segment

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

For the Reporting Period, revenue recorded at this section amounted to approximately HK\$47,762,000 (2022: HK\$26,205,000).

The increase of approximately 82% was mainly due to the increase in the revenue recognition for socketed steel H-piling foundation works at Zone C of 75 Peak Road, alteration and addition works at House A, No. 75 Peak Road, and main contractor for proposed residential redevelopment at No. 16 Bowen Road, Hong Kong.

(b) E&M works:

For the Reporting Period, revenue recorded from this section amounted to approximately HK\$45,574,000 (2022: HK\$40,186,000).

The increase of approximately 13% was mainly due to the increase in revenue recognition for triennial contract for maintenance and repair of, alteration, addition to, fire service installations in Municipal Venues for the Government of the Hong Kong Special Administrative Region.

(c) Interior fitting-out works:

For the Reporting Period, revenue recorded from this section amounted to approximately HK\$2,552,000 (2022: HK\$799,000).

The significant increase of approximately 219% was mainly due to the increase in revenue derived from interior fitting-out works for an office at Kwun Tong.

(ii) Securities Investment segment

For the Reporting Period, loss recorded from this segment amounted to approximately HK\$1,473,000 (three months ended 30 June 2022: gain of approximately HK\$747,000).

As at 30 June 2023, the Group managed a portfolio of listed equity investments and unlisted debt investments with an aggregate fair value of approximately HK\$38 million (31 March 2023: approximately HK\$39 million) which are classified as financial assets at fair value through profit or loss.

During the Reporting Period, the Group recorded (i) unrealised loss on fair value change of listed equity investments of approximately HK\$1,526,000 (three months ended 30 June 2022: gain of approximately HK\$1,358,000), unrealised loss on fair value change of listed debt investments of approximately HK\$30,000 (three months ended 30 June 2022: HK\$89,000) and unrealised loss on fair value change of unlisted debt investments of approximately HK\$98,000 (three months ended 30 June 2022: HK\$545,000); (ii) a realised gain of approximately HK\$13,000 (three months ended 30 June 2022: loss of approximately HK\$71,000); and (iii) interest income received from listed and unlisted debt investments of approximately HK\$168,000 (three months ended 30 June 2022: HK\$94,000). Details of the marketable securities are disclosed under the sub-section headed "SIGNIFICANT INVESTMENTS" in this section.

(iii) Property Investment Business Segment

For the Reporting Period, revenue generated from this segment amounted to approximately HK\$148,000 (three months ended 30 June 2022: approximately HK\$153,000). It was mainly attributable to rental income earned from the investment properties.

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

(iv) Money Lending Business Segment

For the Reporting Period, revenue generated from this segment amounted to approximately HK\$781,000 (three months ended 30 June 2022: approximately HK\$672,000).

Basic loss per share is HK1.76 cent for the Reporting Period.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the Group's revenue amounted to approximately HK\$95.3 million, increased by approximately 39% as compared to the last corresponding period. The increase in revenue was mainly due to increase in revenue recognition in building construction works segment.

Gross profit margin

Our gross profit decreased from approximately HK\$5.3 million for the three months ended 30 June 2022 to approximately HK\$4.0 million for the Reporting Period. It represented a decrease of approximately HK\$1.3 million or 25%.

During the three months ended 30 June 2023, the gross profit margin was approximately 4.2%, decreased by 3.6% as compared to last reporting period's gross profit margin of approximately 7.8%. This was mainly due the gain in the securities investment segment of approximately HK\$0.7 million for the last reporting period to the loss of approximately HK\$1.5 million for the Reporting Period.

After excluding the portion of net gross profit generated from the investment in marketable securities segment, property investment segment and money lending business segment, the gross profit margin for this Reporting Period was approximately 4.8%, decreased by 0.8% as compared to last reporting period's 5.6%.



Other income and gains

Other income and gains increased by approximately HK\$0.3 million or 57% from approximately HK\$0.4 million for the three months ended 30 June 2022 to approximately HK\$0.7 million for the Reporting Period. The increase was mainly due to the increase in interest income from a Bond during the Reporting Period.

Administrative expenses

Administrative expenses increased by approximately HK\$0.4 million or 4% from approximately HK\$9.4 million for the three months ended 30 June 2022 to approximately HK\$9.8 million for the Reporting Period. The increase was mainly due to the increase in employee costs during this Reporting Period.

Finance costs

Finance costs increased by approximately HK\$31,000 or 388% from approximately HK\$8,000 for the three months ended 30 June 2022 to approximately HK\$39,000 for the Reporting Period. The increase was mainly due to increase interest expense incurred on short-term loans during this Reporting Period.

Contingent liabilities

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

Commitments

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

Charges on group assets

The Group's banking facilities are secured by:

- (i) the pledge of the Group's leasehold land and buildings situated in Hong Kong of approximately HK\$19,390,000 (31 March 2023: HK\$19,600,000); and
- (ii) the pledge of the Group's time deposits of approximately HK\$17,297,000 (31 March 2023: HK\$17,254,000).

Treasury policies

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

Exchange risk exposure

Group is not exposed to material foreign exchange risk as most of its transactions and balances are denominated in Hong Kong dollars.

Capital structure of the Group

There was no change in capital structure of the Group during the period ended 30 June 2023.


Prospects

(i) Construction business

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

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

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




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

During the Reporting Period, new projects such as i) replacement of chiller plant system at Kwai Chung Division Police Station, ii) mechanical ventilation and air conditioning supply and installation works at sales gallery for proposed residential development at Discovery Bay North, Lantau and the extension thereto, iii) maintenance, repairing, alterations, additions and improvement works to fire services installation for various municipal venues in Kowloon Region and (iv) restyling work for a high-end brand shop in Central, Hong Kong were secured. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$855 million.

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

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

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



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

(ii) *Securities investment business*

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

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

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

(iii) *Property investment business*

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

(iv) Money lending business

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

SIGNIFICANT INVESTMENTS

As at 30 June 2023, the Group held approximately HK\$38,012,000 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								
			(1,526.4)	26,311.0	69.3	17.9		
Listed debt investments								
The Govt of HKSAR of the PRC								
	Retail Green Bonds due 2025	1	04252	Hong Kong	(30.0)	5,796.0	15.3	4.0
Unlisted debt investments								
JPMorgan Asian Total Return Bond (Mth)								
	2	HK0000102936	Hong Kong	(53.5)	2,869.4	7.5	2.0	
AB FCP I – American Income Portfolio (At USD)								
	3	LU0157308031	Luxembourg	(44.5)	3,036.0	8.0	2.1	
			(98.0)	5,905.4	15.5	4.1		
			(1,654.4)	38,012.4	100.0	26.0		

Notes:

1. The Government of the HKSAR of the PRC Retail Green Bonds Due 2025 is a listed debt investment. The proceeds raised is credited to the Capital Works Reserve Fund to finance or refinance green projects that provide environmental benefits and support the sustainable development of Hong Kong. The tenor of the Government retail green bonds is three years, with semi-annual interest payments linked to inflation in Hong Kong (minimum interest rate of 2.5%).
2. The investment objective of the fund is to achieve a competitive total return, consisting of capital growth and regular dividend income, through an actively managed portfolio investing primarily in Asian bonds and other debt securities.
3. The portfolio seeks to provide a high level of current income consistent with preservation of capital by investing in a diversified portfolio of U.S. dollar-denominated fixed income securities. The portfolio invests solely in U.S. dollar-denominated fixed income securities, including investment grade and high yield, non-investment grade securities of issuers domiciled within and outside the U.S.

During the Reporting Period, the Group disposed some of its investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$389,000 and a gain recognised in revenue for the amount of approximately HK\$13,000. Details of the transactions are as follows:

	Sales proceeds HK\$'000	Realised gain HK\$'000
Investments with individual realised gain/ (loss)	389	13

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




SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 August 2015 and the Stock Exchange granting approval of the listing of and permission to deal in the shares to be issued under the share option scheme (the “**Share Option Scheme**”) on 11 August 2015, the Company has adopted the Share Option Scheme. Under the terms of the Share Option Scheme, the Board of the Company may, at its discretion, grant options to eligible participants to subscribe for shares in the Company. There was no share option outstanding under the Share Option Scheme as at 30 June 2022.

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

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

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



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

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

No share option was granted during the Reporting Period and there was no share option outstanding as at 30 June 2023.

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

As at 30 June 2023, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within in the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of GEM Listing Rules.

As at 30 June 2023, none of the Directors nor the chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

As at 30 June 2023, 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
Masan Multi Strategy Fund SPC – Masan HK Equity Fund SP	Beneficial owner	35,715,200	14.88%
Masan Capital Limited	Investment manager (Note 1)	35,715,200	14.88%
Top Lion International Limited	Interest of a controlled corporation (Note 1)	35,715,200	14.88%
Energy Luck Limited	Beneficial owner	23,978,816	9.99%
Mr. Wong Kui Shing, Danny	Interest in controlled corporation (Note 2)	23,978,816	9.99%
Like Capital Limited	Beneficial owner	12,661,000	5.28%
Ethnocentric Investment Limited	Interest in controlled corporation (Note 3)	12,661,000	5.28%
Capital VC Limited	Interest in controlled corporation (Note 3)	12,661,000	5.28%

Notes:

- (1) Masan Multi Strategy Fund SPC – Masan HK Equity Fund SP (“**Masan Fund**”) holds a total of 35,715,200 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 British Virgin Islands (“**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.
- (2) Energy Luck Limited holds a total of 23,978,816 Shares. Energy Luck Limited is wholly-owned by Mr. Wong Kui Shing, Danny. Therefore, Mr. Wong Kui Shing, Danny is deemed, or taken to be, interested in all the Shares held by Energy Luck Limited for the purposes of the SFO.

- (3) Like Capital Limited holds a total of 12,661,000 Shares. Like Capital Limited is wholly-owned by Ethnocentric Investment Limited, which in turn is wholly-owned by Capital VC Limited, a company incorporated in the Cayman Islands. Therefore, Ethnocentric Investment Limited and Capital VC Limited are deemed, or taken to be, interested in all the Shares held by Like Capital Limited for the purposes of the SFO.

Save as disclosed above, as at 30 June 2023, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESSES

During the Reporting Period and up to the date of this report, each of Mr. Wong Yuk Lun Alan and Mr. Lam Wai Hung 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	Chief executive officer and chairman of the board (effective from 6 April 2023), executive director of NOVA
Mr. Lam Wai Hung	NOVA	Money lending business	Executive director of NOVA (effective from 6 April 2023)

* listed on the Main Board of the Stock Exchange

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

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

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

AUDIT COMMITTEE

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

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

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

Hong Kong, 14 August 2023

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.