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SMART CITY DEVELOPMENT HOLDINGS LIMITED

智城發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8268)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

ANNUAL RESULTS

The board of directors (the “**Board**”) of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2021, together with the comparative figures for the year ended 31 March 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
REVENUE	4	617,771	627,526
Cost of sales		<u>(568,876)</u>	<u>(592,591)</u>
Gross profit		48,895	34,935
Other income and gains	4	4,473	2,589
Fair value loss on investment properties		(250)	(870)
Administrative expenses		(43,449)	(37,648)
Other operating income/(expenses), net		177	(1,365)
Finance costs	6	<u>(718)</u>	<u>(243)</u>
PROFIT/(LOSS) BEFORE TAX	5	9,128	(2,602)
Income tax credit/(expense)	7	<u>(672)</u>	<u>286</u>
PROFIT/(LOSS) FOR THE YEAR		<u>8,456</u>	<u>(2,316)</u>
Attributable to:			
Owners of the Company		9,860	(3,216)
Non-controlling interests		<u>(1,404)</u>	<u>900</u>
		<u>8,456</u>	<u>(2,316)</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE COMPANY	8		
Basic*		<u>HK4.93 cents</u>	<u>HK(1.61) cents</u>
Diluted*		<u>HK4.93 cents</u>	<u>HK(1.61) cents</u>

* Adjusted for the effect of the Share Consolidation on 28 April 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>8,456</u>	<u>(2,316)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(456)	379
Reclassification adjustment for a foreign operation deregistered during the year	<u>(1,701)</u>	<u>—</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>(2,157)</u>	<u>379</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Surplus/(deficit) on revaluation of leasehold land and buildings	2,872	(897)
Income tax effect	<u>(474)</u>	<u>148</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>2,398</u>	<u>(749)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>241</u>	<u>(370)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>8,697</u>	<u>(2,686)</u>
Attributable to:		
Owners of the Company	10,694	(4,141)
Non-controlling interests	<u>(1,997)</u>	<u>1,455</u>
	<u>8,697</u>	<u>(2,686)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		55,731	38,966
Investment properties		23,270	8,250
Intangible asset		394	439
Prepayments		450	—
		<hr/>	<hr/>
Total non-current assets		79,845	47,655
CURRENT ASSETS			
Loans receivable		12,803	3,980
Accounts receivable	9	25,268	61,945
Prepayments, deposits and other receivables		72,686	35,625
Contract assets		91,510	81,815
Financial assets at fair value through profit or loss		28,906	32,226
Tax recoverable		1	25
Pledged deposits		17,137	17,074
Cash and cash equivalents		61,969	107,689
		<hr/>	<hr/>
Total current assets		310,280	340,379
CURRENT LIABILITIES			
Accounts payable	10	47,205	50,559
Other payables and accruals		158,060	64,432
Contract liabilities		62,990	163,702
Due to a non-controlling shareholder		—	1,500
Lease liabilities		659	618
Tax payable		2,987	1,909
Interest-bearing bank and other borrowings		11,013	7,132
		<hr/>	<hr/>
Total current liabilities		282,914	289,852
NET CURRENT ASSETS			
		27,366	50,527
TOTAL ASSETS LESS CURRENT LIABILITIES			
		107,211	98,182

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		895	755
Deferred tax liabilities		592	400
		<hr/>	<hr/>
Total non-current liabilities		1,487	1,155
		<hr/>	<hr/>
Net assets		105,724	97,027
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	25,000	25,000
Reserves		91,875	81,181
		<hr/>	<hr/>
		116,875	106,181
Non-controlling interests		(11,151)	(9,154)
		<hr/>	<hr/>
Total equity		105,724	97,027
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

31 March 2021

1. CORPORATE AND GROUP INFORMATION

Smart City Development Holdings Limited (formerly known as Deson Construction International Holdings Limited) (the “**Company**”) 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 principal place of business of the Company is located at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally involved in the following activities: (i) construction business, as a main contractor and fitting-out works, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, Mainland China and Macau, and other construction related businesses; (ii) investment in securities; (iii) property investment; and (iv) money lending business.

2.1 BASIS OF PREPARATION

The financial statements 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 the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and certain 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. The financial statements are presented in Hong Kong dollars (“**HKS**”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 April 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any significant impact on the financial position and performance of the Group.
- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendment did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four (2020: four) reportable operating segments as follows:

- (a) the construction business segment is engaged in construction contract works, as a main contractor, decoration, 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, certain impairment of property, plant and equipment as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 March 2021

	Construction business <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue (note 4)					
Income from external customers	606,141	10,311	170	1,149	617,771
Other income and gains	<u>3,206</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,206</u>
	609,347	10,311	170	1,149	620,977
Segment results					
Operating profit/(loss)	6,372	10,311	(1,924)	703	15,462
<i>Reconciliation:</i>					
Interest income					1,267
Unallocated expenses					(6,883)
Finance costs					<u>(718)</u>
Profit before tax					<u>9,128</u>
Segment assets	187,582	43,367	23,270	13,652	267,871
<i>Reconciliation:</i>					
Corporate and other unallocated assets					<u>122,254</u>
Total assets					<u>390,125</u>
Segment liabilities	269,227	11,000	399	183	280,809
<i>Reconciliation:</i>					
Corporate and other unallocated liabilities					<u>3,592</u>
Total liabilities					<u>284,401</u>
Other segment information:					
Fair value loss on investment properties	—	—	250	—	250
Reversal of impairment of accounts receivable, net	(624)	—	—	—	(624)
Loss on disposal of items of property, plant and equipment	12	—	—	—	12
Impairment of items of property, plant and equipment	516	—	—	—	516
Reversal of impairment of contract assets, net	(1,529)	—	—	—	(1,529)
Depreciation of property, plant and equipment	1,087	—	—	—	1,087
Amortisation of an intangible asset	—	—	—	45	45
Capital expenditure attributable to the reportable operating segments*	<u>75</u>	<u>—</u>	<u>15,270</u>	<u>—</u>	<u>15,345</u>

* Capital expenditure represents additions to property, plant and equipment, and investment properties.

Year ended 31 March 2020

	Construction business HK\$'000	Securities investment HK\$'000	Property investment HK\$'000	Money lending business HK\$'000	Total HK\$'000
Segment revenue (note 4)					
Income from external customers	626,366	737	370	53	627,526
Other income and gains	1,019	—	—	—	1,019
	<u>627,385</u>	<u>737</u>	<u>370</u>	<u>53</u>	<u>628,545</u>
Segment results					
Operating profit/(loss)	3,726	737	(850)	(28)	3,585
<i>Reconciliation:</i>					
Interest income					1,570
Impairment of property, plant and equipment					(1,993)
Unallocated expenses					(5,521)
Finance costs					(243)
Loss before tax					<u>(2,602)</u>
Segment assets	191,661	41,405	8,250	4,419	245,735
<i>Reconciliation:</i>					
Corporate and other unallocated assets					<u>142,299</u>
Total assets					<u>388,034</u>
Segment liabilities	281,150	—	215	201	281,566
<i>Reconciliation:</i>					
Corporate and other unallocated liabilities					<u>9,441</u>
Total liabilities					<u>291,007</u>
Other segment information:					
Fair value loss on investment properties	—	—	870	—	870
Reversal of impairment of accounts receivable, net	(219)	—	—	—	(219)
Gain on disposal of subsidiaries	—	—	(216)	—	(216)
Loss on disposal of items of property, plant and equipment	216	—	—	—	216
Impairment of items of property, plant and equipment	614	—	—	—	614
Impairment of loans receivable	—	—	—	20	20
Reversal of impairment of other receivables, net	(21)	—	—	—	(21)
Reversal of impairment of contract assets, net	(1,052)	—	—	—	(1,052)
Depreciation of property, plant and equipment	1,104	—	167	—	1,271
Amortisation of an intangible asset	—	—	—	11	11
Capital expenditure attributable to the reportable operating segments*	<u>201</u>	<u>—</u>	<u>—</u>	<u>450</u>	<u>651</u>

* Capital expenditure represents additions to property, plant and equipment, and an intangible asset.

Geographical information

(a) Revenue from external customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	489,807	442,368
Mainland China	<u>127,964</u>	<u>185,158</u>
	<u><u>617,771</u></u>	<u><u>627,526</u></u>

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

(b) Non-current assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	79,797	46,859
Mainland China	<u>48</u>	<u>796</u>
	<u><u>79,845</u></u>	<u><u>47,655</u></u>

The non-current asset information above is based on the locations of the assets.

Information about a major customer

During the year, revenue of approximately HK\$117,335,000 (2020: HK\$182,686,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer. For the purpose of identifying major customers, revenue derived from the securities investment segment is excluded.

4. REVENUE, OTHER INCOME AND GAINS

Revenue

An analysis of the revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers		
Income from the construction contracting and related businesses	606,141	626,366
Revenue from other sources		
Fair value gain on financial assets at fair value through profit or loss, net	9,903	510
Dividend income from equity investments at fair value through profit or loss	27	1
Interest income on debt investments at fair value through profit or loss	381	226
Interest income on loans receivable	1,149	53
Gross rental income	170	370
	<u>617,771</u>	<u>627,526</u>

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	Construction contracting and related businesses	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Types of goods or services		
Building construction works and related businesses	166,186	190,072
Electrical and mechanical engineering works	236,363	104,252
Fitting-out works	203,592	332,042
	<u>606,141</u>	<u>626,366</u>
Total revenue from contracts with customers transferred over time	<u>606,141</u>	<u>626,366</u>
Geographical markets		
Hong Kong	478,177	441,208
Mainland China	127,964	185,158
	<u>606,141</u>	<u>626,366</u>
Total revenue from contracts with customers transferred over time	<u>606,141</u>	<u>626,366</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Construction contracting and other related services	<u>145,641</u>	<u>116,432</u>

(ii) Performance obligations

Information about the Group's performance obligations 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. For construction services, 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.

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to construction services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

Other income and gains

An analysis of other income and gains is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income	1,267	1,570
Government grants*	2,977	150
Others	<u>229</u>	<u>869</u>
	<u>4,473</u>	<u>2,589</u>

* There are no unfulfilled conditions or contingencies relating to these grants as of the end of the reporting period.

5. PROFIT/(LOSS) BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of construction contract	568,876	592,591
Depreciation of property, plant and equipment	2,282	1,271
Amortisation of an intangible asset	45	11
Lease payments not included in the measurement of lease liabilities	<u>3,702</u>	<u>3,131</u>
Impairment/(reversal of impairment) of financial and contract assets, net:		
Impairment of loans receivable	—	20
Reversal of impairment of accounts receivable, net	(624)	(219)
Impairment/(reversal of impairment) of other receivables, net	4,243	(21)
Reversal of impairment of contract assets, net	<u>(1,529)</u>	<u>(1,052)</u>
	<u>2,090</u>	<u>(1,272)</u>
Impairment of items of property, plant and equipment	516	2,607
Reversal of impairment of items of property, plant and equipment	(1,076)	—
Gain on disposal of subsidiaries	—	(216)
Gain on deregistration of a subsidiary	<u>(1,701)</u>	<u>—</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on lease liabilities	63	36
Interest on bank and other borrowings	901	409
Interest on convertible bonds	—	172
Less: Interest capitalised	<u>(246)</u>	<u>(374)</u>
	<u>718</u>	<u>243</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime, and the first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	584	277
Underprovision in prior years	567	—
Current — Elsewhere		
Charge for the year	—	269
Overprovision in prior years	(197)	—
Deferred	(282)	(832)
Total tax expense/(credit) for the year	<u>672</u>	<u>(286)</u>

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

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 200,000,000 (2020: 200,000,000) in issue during the year, as adjusted to reflect the Share Consolidation on 28 April 2021.

The Group had no potentially diluted ordinary shares in issue during the year ended 31 March 2021.

In the prior year, the calculation of the diluted loss per share amount was based on the loss for the year attributable to owners of the Company, adjusted to reflect the interest on convertible bonds. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during that year and adjusted to reflect the Share Consolidation on 28 April 2021, 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 amounts attributable to the owners of the Company is based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings/(loss)		
Earnings/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	9,860	(3,216)
Interest on convertible bonds (<i>note 6</i>)	<u>—</u>	<u>172</u>
Earnings/(loss) attributable to ordinary equity holders of the Company before the effect of convertible bonds	<u>9,860</u>	<u>(3,044)</u>
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	200,000,000	200,000,000
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds*	<u>—</u>	<u>1,015,890</u>
	<u>200,000,000</u>	<u>201,015,890</u>

* For the year ended 31 March 2020, because the diluted loss per share amount was decreased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amount is based on the loss for the year of HK\$3,216,000, and the weighted average number of ordinary shares of 200,000,000 in issue during that year as adjusted to reflect the Share Consolidation.

9. ACCOUNTS RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts receivable	37,501	76,092
Impairment	<u>(12,233)</u>	<u>(14,147)</u>
	<u>25,268</u>	<u>61,945</u>

The Group's trading terms with its customers are mainly on credit. The credit period granted to the customers ranges from 14 days to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	23,377	54,725
91 to 180 days	869	2,458
181 to 360 days	86	889
Over 360 days	936	3,873
	<u>25,268</u>	<u>61,945</u>

The movements in the loss allowance for impairment of accounts receivable are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of year	14,147	14,787
Reversal of impairment losses, net (<i>note 5</i>)	(624)	(219)
Amount written off as uncollectible	(1,897)	(11)
Exchange realignment	607	(410)
	<u>12,233</u>	<u>14,147</u>
At end of year	<u>12,233</u>	<u>14,147</u>

An impairment analysis is performed at each reporting date using provision matrices to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

10. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	7,792	7,245
91 to 180 days	5,206	9,842
181 to 360 days	230	15,444
Over 360 days	33,977	18,028
	<u>47,205</u>	<u>50,559</u>

Accounts payable are non-interest-bearing and are normally settled on 30-day terms.

11. SHARE CAPITAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Authorised:		
4,000,000,000 (2020: 4,000,000,000) ordinary shares of HK\$0.025 (2020: HK\$0.025) each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
1,000,000,000 (2020: 1,000,000,000) ordinary shares of HK\$0.025 (2020: HK\$0.025) each	<u>25,000</u>	<u>25,000</u>

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

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 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 investment 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 year ended 31 March 2021 (the "**Reporting Period**") recorded at approximately HK\$617,771,000, which represented a decrease of approximately 2% from approximately HK\$627,526,000 for the year ended 31 March 2020. For the construction business segment, revenue for the Reporting Period recorded at approximately HK\$606,141,000, which represented a decrease of approximately 3% from approximately HK\$626,366,000 for the year ended 31 March 2020. For the securities investment segment, revenue for the Reporting Period recorded at a gain of approximately HK\$10,311,000, which represented an increase of approximately 1,299% from approximately HK\$737,000 for the year ended 31 March 2020. For the property investment segment, revenue for the Reporting Period recorded at approximately HK\$170,000, which represented a decrease of approximately 54% from approximately HK\$370,000 for the year ended 31 March 2020. For the money lending business segment, revenue for the Reporting Period recorded at approximately HK\$1,149,000, which represented an increase of approximately 2,068% from approximately HK\$53,000 for the year ended 31 March 2020.

(i) Construction Segment

(a) Building construction works and related businesses:

For the Reporting Period, revenue recorded at this section amounted to approximately HK\$166,186,000 (2020: HK\$190,072,000).

The decrease of approximately 13% was mainly due to the majority of revenue was recognised for the main contractor works for the residential redevelopment works including E&M works at Peak Road House A, Hong Kong in the year ended 31 March 2020.

The above decrease was partly offset by the increase of the revenue recognised during the Reporting Period for demolition, site formation and foundation works at Bowen Road.

(b) E&M works:

For the Reporting Period, revenue recorded from this section amounted to approximately HK\$236,363,000 (2020: HK\$104,252,000).

The significant increase by approximately 127% was mainly due to (i) the revenue recognised for projects commenced in this Reporting Period including triennial term contract for operation and maintenance of air-conditioning installations at Attended Municipal Venues in Hong Kong, electrical and fire services installations for construction of two 30-classroom primary schools at Queen's Hill, mechanical ventilation and air-conditioning installation works for the Proposed Residential & Commercial Development at Catchick Street, upgrading of Gasholder at Shatin Sewage Treatment Works; and (ii) additional revenue recognised for projects including quadrennial term contract for maintenance of fire services installations for Drainage Services Department, building services installation for construction of two special schools at Sung On Street, To Kwa Wan and the proposed residential redevelopment at No. 138 Pok Fu Lam Road.

(c) Interior fitting-out works:

For the Reporting Period, revenue recorded from this section amounted to approximately HK\$203,592,000 (2020: HK\$332,042,000).

The decrease of approximately 39% was mainly due to more revenue was recognised for i) A&A works including E&M works at Chatham Road; and ii) fitting-out works at House A and C, No.48 Stubbs Road, Hong Kong, in the year ended 31 March 2020. On the other hand, revenue from Beijing has decreased due to COVID-19 pandemic and therefore less revenue was recognised in the Reporting Period.

(ii) Securities Investment Segment

For the Reporting Period, gain recorded from this segment amounted to approximately HK\$10,311,000 (2020: HK\$737,000).

As at 31 March 2021, the Group managed a portfolio of listed equity investments and unlisted debt investments with an aggregate fair value of approximately HK\$29 million (2020: HK\$32 million), 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 and unlisted debt investments of approximately HK\$3,214,000 (2020: unrealised loss of HK\$4,387,000); (ii) a realised gain of approximately HK\$6,689,000 (2020: HK\$4,897,000); (iii) interest income from the unlisted debt investments of approximately HK\$381,000 (2020: HK\$226,000); and (iv) dividend income received from equity investments of approximately HK\$27,000 (2020: HK\$1,000). 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 recorded from this segment amounted to approximately HK\$170,000 (2020: HK\$370,000). It was mainly attributable to rental income earned from the investment properties.

On 7 January 2021, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to acquire a commercial property with a total saleable floor area of approximately 1,095 square feet at a consideration of HK\$15,000,000. Completion took place on 8 February 2021. For details, please refer to the Company’s announcements dated 7 January 2021 and 8 February 2021.

(iv) Money Lending Business Segment

For the Reporting Period, revenue recorded from this segment amounted to approximately HK\$1,149,000 (2020: HK\$53,000).

Due to the increase in the gain recorded in the securities investment segment, the net profit for this Reporting Period is approximately HK\$8,456,000 as compared with the net loss, which amounted to approximately HK\$2,316,000 for the year ended 31 March 2020.

Basic earnings per share is HK4.93 cents (2020: loss per share HK1.61 cents) for the Reporting Period.

STATUS OF THE LEGAL CASE

References were made to the announcements of the Company dated 21 December 2017 and 2 February 2021. As stated in the announcement of the Company dated 2 February 2021, the Company has received a judgement in favour of Beijing Chang-de Architectural & Decoration Co., Limited (北京長迪建築裝飾工程有限公司) (“**Beijing Chang-de**”) on the suspected case of internet fraud which involved fraudulent transfers of funds of approximately HK\$22 million (approximately RMB19 million) from the bank account of Beijing Chang-de (the “**Legal Case**”) from the People’s Court in Chaoyang District, Beijing (the “**Judgement**”) rendered on 30 December 2020. Pursuant to the Judgement, Beijing Chang-de had claimed total damages of approximately RMB19 million from a former employee of Beijing Chang-de who has claimed to be deceived in the suspected

case of internet fraud which involved fraudulent transfers of funds of approximately HK\$22 million (approximately RMB19 million). However, having considered, among others, the nature of works and experience of the defendant, the gravity of the mistake and the ability of the defendant to bear the loss, the People's Court in Chaoyang District, Beijing has ordered that the defendant to (i) pay a principal amount of approximately RMB3,790,000 plus interest to Beijing Chang-de within 10 days after the delivery of the Judgement; and (ii) bear litigation costs and expenses of approximately RMB28,000 payable within 7 days after the delivery of the Judgement.

Beijing Chang-de was notified that an appeal has been filed by the defendant on 18 February 2021, the date of hearing is not yet fixed. Based on the information currently available, the Board of the Company expects that the Judgement will have no material impact on the overall financial or operating conditions of the Group.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the Group's revenue amounted to approximately HK\$618 million (2020: approximately HK\$628 million), decreased by approximately 2% as compared to the last reporting period. The decrease in revenue was mainly due to the decrease in revenue arising from the projects of building construction works and interior fitting-out works in Hong Kong and the PRC.

Gross profit margin

The Group's gross profit increased significantly by approximately HK\$14.0 million or approximately 40%, from approximately HK\$34.9 million for the year ended 31 March 2020 to approximately HK\$48.9 million for the Reporting Period. The increase in gross profit was mainly due to the realised fair value gain on the marketable securities and other investments.

During the Reporting Period, the gross profit margin was approximately 7.9%, improved by 2.3 percentage points, as compared to last year's 5.6%. The improvement of gross profit margin was mainly due to the realised fair value gain on the marketable securities and other investments.

After excluding the portion generating from the securities investment segment, property investment segment and money lending segment, the gross profit margin for this Reporting Period was approximately 6.1%, increased by 0.7 percentage points as compared to the last year's 5.4%. The increase in gross profit margin was mainly due to E&M section had lower cost secured during the period.

Other income and gains

Other income and gains increased by approximately HK\$1.9 million or 73% from approximately HK\$2.6 million for the year ended 31 March 2020 to approximately HK\$4.5 million for the Reporting Period. The increase was mainly due to the government grants obtained in the Reporting Period.

Administrative expenses

Administrative expenses increased by approximately HK\$5.8 million or 15.4% from approximately HK\$37.6 million for the year ended 31 March 2020 to approximately HK\$43.4 million for the Reporting Period. The increase was mainly because of the increase in depreciation and other expenses for the Reporting Period.

Other operating income/expenses, net

Other operating expenses, net decreased by approximately HK\$1.5 million or 113% from approximately HK\$1.4 million for the year ended 31 March 2020 to operating income of approximately HK\$0.2 million for the Reporting Period. The other operating income was mainly due to a reversal of impairment of accounts receivable and contract assets.

Finance costs

Finance costs increased by approximately HK\$0.5 million or 195% from approximately HK\$0.2 million for the year ended 31 March 2020 to approximately HK\$0.7 million for the Reporting Period. The increase was mainly due to the increase in interest expense on short-term loans in the Reporting Period.

Liquidity and financial resources

The Group has continued to maintain a suitable liquid position. As at 31 March 2021, the Group had cash and cash equivalents of approximately HK\$61,969,000 (2020: HK\$107,689,000), which are mainly denominated in Hong Kong dollar and Renminbi. As at 31 March 2021, the Group had total assets of approximately HK\$390,125,000 (2020: HK\$388,034,000). The Group's current ratio at 31 March 2021 was approximately 1.10 (2020: 1.17).

As at 31 March 2021, the gearing ratio for the Group is approximately 1% (2020: 1%). It was calculated based on the non-current liabilities of approximately HK\$1,487,000 (2020: HK\$1,155,000) and long term capital (equity and non-current liabilities) of approximately HK\$107,211,000 (2020: HK\$98,182,000).

Capital expenditure

Total capital expenditure for the Reporting Period was approximately HK\$30,045,000 (2020: HK\$21,404,000), which was mainly used in the purchase of items of property, plant and equipment, and investment properties.

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 capital commitment contracted, but not provided for, of approximately HK\$1,778,000.

Charges on group assets

Assets with a carrying value of approximately HK\$38,337,000 were pledged as security for the Group's banking facilities.

Treasury policies

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

Capital structure of the Group

There is no change in capital structure of the Group during the Reporting Period.

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

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” (“**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 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 site formation and foundation works for the proposed residential development at South Lantau Road, Cheung Sha, Lantau Island, design & construction of piling foundations, pile caps & ELS works at No. 49 and No. 51 Kimberley Road and quadrennial term contract for maintenance of fire service installations for various HKSAR government departments, 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 had contracts on hand with a total contract sum of over HK\$1,150 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 licences, 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 licences 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 operated under various licences, permits and qualifications and the loss or failure to renew/retain any of these licences, permits and qualifications could affect the Group's business.

Furthermore, with the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and after obtaining adequate job reference for construction works, the Group will continue to pursue the following key business strategies: (i) further expand the Group's service scope by applying 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 investments in securities, 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, including at least one executive director who acts as the investment manager of the Company). The Board has adopted cautious measures to manage this business activity aiming at generating additional investment return on the available funds of the Group from time to time.

Despite 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

On 7 January 2021, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to acquire a commercial property with a total saleable floor area of approximately 1,095 square feet at a consideration of HK\$15,000,000. Completion took place on 8 February 2021. For details, please refer to the Company's announcements dated 7 January 2021 and 8 February 2021.

The Directors, including the independent non-executive Directors, are of the view that the terms of the sale and purchase agreements are fair and reasonable and the acquisitions are in the interests of the Group and the shareholders of the Company as a whole.

(iv) Money Lending Business

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

SIGNIFICANT INVESTMENTS

As at 31 March 2021, the Group held approximately HK\$28.9 million equity and debt investments at fair value through profit or loss. Details of the significant investments are as follows:

	Notes	Stock code/ ISIN code	Place of incorporation	Unrealised fair value gain/(loss) HK\$'000	Market value HK\$'000	Approximate percentage of equity investments at fair value through profit and loss %	Approximate percentage to the net assets of the Group %
Listed equity investments							
Hong Kong Education (Int'l) Investments Limited	1	1082	Incorporated in the Cayman Islands and continued in Bermuda	2,812.0	5,964.0	20.6	5.6
Eternity Technology Holdings Limited	2	1725	Cayman Islands	1,972.8	5,737.1	19.8	5.4
Individual investments representing less than 1% of the net assets of the Group				(2,075.4)	9,625.7	33.4	9.1
				<u>2,709.4</u>	<u>21,326.8</u>	<u>73.8</u>	<u>20.1</u>
Unlisted debt investments							
JPMorgan Asian Total Return Bond (Mth)	3	HK0000102936	Hong Kong	238.8	3,812.2	13.2	3.6
AB FCP I — American Income Portfolio (At USD)	4	LU0157308031	Luxembourg	266.1	3,767.2	13.0	3.6
				<u>504.9</u>	<u>7,579.4</u>	<u>26.2</u>	<u>7.2</u>
				<u>3,214.3</u>	<u>28,906.2</u>	<u>100.0</u>	<u>27.3</u>

Notes:

- Hong Kong Education (Int'l) Investments Limited is principally engaged in the provision of private educational services, investment in securities and money lending business. No dividend was received during the Reporting Period. According to its latest published financial statements, it had a net assets value of approximately HK\$141,092,000 as at 31 December 2020.
- 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 assets value of approximately RMB250,290,000 as at 31 December 2020.
- The investment objective of the fund is to achieve a competitive total return, consisting of capital growth and regular dividend income, through an actively managed portfolio investing primarily in Asian bonds and other debt securities.

4. The portfolio seeks to provide a high level of current income consistent with preservation of capital by investing in a diversified portfolio of U.S. dollar-denominated fixed income securities. The portfolio invests solely in U.S. dollar-denominated fixed income securities, including investment grade and high yield, non-investment grade securities of issuers domiciled within and outside the U.S..

During the Reporting Period, the Group disposed of certain investments in the market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK\$43.8 million, giving rise to a net gain of approximately HK\$6.7 million. Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds <i>HK\$'000</i>	Realised gain/(loss) <i>HK\$'000</i>
Fire Rock Holdings Limited	1909	Cayman Islands	5,396	1,201
Hands Form Holdings Limited	1920	Cayman Islands	6,519	2,662
Graphex Group Limited	6128	Cayman Islands	509	(1,015)
hmvod Limited	8103	Cayman Islands	2,249	1,340
Investments with individual realised gain/ (loss) of less than HK\$1,000,000			29,140	2,501
			43,813	6,689

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group did not have other plans for material investment or capital assets as at 31 March 2021.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2021, there were no material acquisitions or disposal of subsidiaries and affiliated companies by the Group.

HUMAN RESOURCES

As at 31 March 2021, the Group had 98 employees, 29 of whom were based in the PRC. The total employee benefit expenses including directors' emoluments for the Reporting Period amounted to approximately HK\$33 million as compared to approximately HK\$34 million for the year ended 31 March 2020. The decrease was mainly due to decrease in directors' remuneration in this Reporting Period.

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

EVENTS AFTER THE REPORTING PERIOD

(1) Share Consolidation

On 12 March 2021, the Board proposed to implement the share consolidation on the basis that every five (5) issued and unissued Shares of par value of HK\$0.025 each in the share capital of the Company be consolidated into one (1) Consolidated Share of par value of HK\$0.125 each (the “**Share Consolidation**”).

The authorised share capital of the Company was HK\$100,000,000 divided into 4,000,000,000 Shares of par value of HK\$0.025 each, of which 1,000,000,000 shares were issued. After the Share Consolidation becoming effective, the authorised share capital of the Company was HK\$100,000,000 divided into 800,000,000 Consolidated Shares of par value of HK\$0.125 each, of which 200,000,000 Consolidated Shares were issued. The resolution for the approval of the Share Consolidation was duly passed by the Company’s shareholders at the extraordinary general meeting held on 26 April 2021. The Share Consolidation became effective on Wednesday, 28 April 2021. The details of the Share Consolidation were referred to the Company’s announcements dated 12 March 2021, 26 April 2021 and 28 April 2021 and the Company’s circular dated 1 April 2021.

(2) Discloseable Transaction in Relation to Disposal of the Sale Shares in the Target Company

On 9 April 2021 (after trading hours of the Stock Exchange), the Company through its indirect wholly-owned subsidiary, executed the Bought and Sold Notes to effect the sale and transfer of the Sale Shares, representing certain of the Group’s equity investment at fair value through profit or loss comprising approximately 0.92% of the existing issued share capital of the Eternity Technology Holdings Limited, to Hong Kong Aerospace Technology Group Limited, an independent third party, at a total consideration of HK\$5,490,000 (the “**Disposal**”). As a result of the Disposal, the Group is expected to recognise a gain of approximately HK\$1,710,000 (exclusive of transaction costs), which is calculated on the basis of the difference between the aggregate acquisition costs, being approximately HK\$3,764,000 (exclusive of transaction costs), and the aggregate gross sales proceeds, being approximately HK\$5,474,000 (exclusive of transaction costs). The details of the Disposal were referred to the Company’s announcements dated 13 April 2021 and 16 April 2021.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

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

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

* listed on the Main Board of the Stock Exchange

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

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

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 for the Reporting Period.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2021, the Group had no transactions which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

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 the listing date of the Company. The Company has, so far as applicable, principally complied with the CG Code during the Reporting Period.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in this preliminary results announcement have been agreed by the Company's auditor, Ernst & Young ("EY"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY, in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by EY on the preliminary results announcement.

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 results announcement, the audit committee comprises three independent non-executive directors, namely Mr. Lam Wai Hung, Mr. Wong Yuk Lun Alan and Ms. Au Shui Ming Anna. The audit committee has reviewed the Group's annual results for the year ended 31 March 2021, and provided advice and comments thereon.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "AGM") will be held on Friday, 20 August 2021. A notice convening the AGM will be published and despatched to the Company's shareholders in the manner required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on 20 August 2021. For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from 17 August 2021 to 20 August 2021, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 13 August 2021.

DIVIDEND

The Board of Directors does not recommend the payment of a final dividend in respect of the year ended 31 March 2021 (2020: Nil).

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the GEM website at www.hkgem.com and the Company's website at www.smartcity-d.com. The annual report of the Company for the year ended 31 March 2021 will be dispatched to the shareholders of the Company and will be available on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 22 June 2021

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

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

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