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SMART CITY DEVELOPMENT HOLDINGS LIMITED

智城發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8268)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Smart City Development Holdings Limited (the “**Company**”) is pleased to announce the interim results of the Company and its subsidiaries for the six months ended 30 September 2023. This announcement, containing the full text of the 2023 interim report of the Company, complies with the requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of interim results. The Company’s 2023 interim report will be available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.smartcity-d.com on 14 November 2023.

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

Hong Kong, 13 November 2023

As at the date of this announcement, the Board comprises Mr. Hung Kenneth and Ms. Lau Po Yee as executive Directors and 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 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 Company’s website at www.smartcity-d.com.



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

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

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

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

INTERIM RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 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 six months ended 30 September 2023

	Note	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
		2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
REVENUE	4	100,287	74,626	195,631	143,388
Cost of sales		(91,391)	(67,368)	(182,718)	(130,767)
Gross profit		8,896	7,258	12,913	12,621
Other income and gains	4	905	1,076	1,588	1,512
Administrative expenses		(9,847)	(8,780)	(19,629)	(18,229)
Other operating income, net		-	391	908	330
Finance costs	6	(41)	(11)	(80)	(19)
LOSS BEFORE TAX	5	(87)	(66)	(4,300)	(3,785)
Income tax expense	7	-	-	-	-
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(87)	(66)	(4,300)	(3,785)
LOSS PER SHARE	8				
Basic and diluted		HK(0.04) cent	HK(0.03) cent	HK(1.79) cent	HK(1.89) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Note	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		58,477	58,846
Investment properties		21,160	21,160
Intangible asset		281	304
Bond receivable		21,050	20,000
Loans and interest receivables		13,100	5,980
		<hr/>	
Total non-current assets		114,068	106,290
CURRENT ASSETS			
Loans and interest receivable		29,727	32,402
Accounts receivable	10	25,671	18,422
Prepayments, deposits and other receivables		9,349	4,895
Contract assets		48,590	44,259
Financial assets at fair value through profit or loss	11	40,601	39,257
Tax recoverable		395	296
Pledged deposits		17,363	17,254
Cash and cash equivalents		27,907	59,335
		<hr/>	
Total current assets		199,603	216,120
CURRENT LIABILITIES			
Accounts payable	12	17,979	23,410
Other payables and accruals		77,375	83,705
Contract liabilities		66,856	51,713
Lease liabilities		203	203
Tax payable		86	86
Interest-bearing bank borrowings		1,571	9,289
		<hr/>	
Total current liabilities		164,070	168,406
NET CURRENT ASSETS			
		<hr/>	
		35,533	47,714
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	
		149,601	154,004

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2023

		30 September 2023	31 March 2023
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		484	587
Deferred tax liabilities		2,476	2,476
		<hr/>	<hr/>
Total non-current liabilities		2,960	3,063
		<hr/>	<hr/>
Net assets		146,641	150,941
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	30,000	30,000
Reserves		116,641	120,941
		<hr/>	<hr/>
Total equity		146,641	150,941
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Attributable to owners of the Company					
	Issued capital	Share premium	Contributed surplus	Property revaluation reserve	Retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	-	-	-	-	(3,785)	(3,785)
Release of revaluation reserve	-	-	-	(283)	283	-
At 30 September 2022 (unaudited)	25,000	9,381	(5,372)	15,693	81,884	126,586
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	-	-	-	-	(4,300)	(4,300)
Release of revaluation reserve	-	-	-	(329)	329	-
At 30 September 2023 (unaudited)	30,000	35,258*	(5,372)*	15,749*	71,006*	146,641

* These reserve accounts comprise the consolidated reserves of HK\$116,641,000 (31 March 2023: HK\$120,941,000) in the condensed consolidated statement of financial position as at 30 September 2023.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	Notes	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(4,300)	(3,785)
Adjustments for:			
Finance costs	6	80	19
Interest income	4	(1,273)	(493)
Dividend income	4	(9)	(4)
Loss on disposal of items of property, plant and equipment	5	16	93
Fair value gain on financial assets at fair value through profit or loss	4	(1,321)	(3,173)
Reversal of impairment of accounts receivable	5	(924)	(423)
Depreciation of property, plant and equipment	5	915	935
Amortisation of an intangible asset	5	23	23
		(6,793)	(6,808)
Increase in contract assets		(4,162)	(4,256)
(Increase)/decrease in accounts receivable		(6,325)	7,563
Increase in loans receivable		(4,445)	(6,424)
Increase in financial assets at fair value through profit or loss		(23)	(6,492)
(Increase)/decrease in prepayments, deposits and other receivables		(4,454)	6,841
(Decrease)/increase in accounts payable		(5,431)	4,565
Increase/(decrease) in contract liabilities		15,143	(2,531)
Decrease in other payables and accruals		(6,330)	(9,463)
Cash used in operations		(22,820)	(17,005)
Interest paid		(231)	(19)
Hong Kong profits tax paid		(99)	(20)
Dividend received		9	4
Interest element on lease liabilities		(18)	(30)
Net cash flows used in operating activities		(23,159)	(17,070)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 September 2023

	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,273	493
Purchases of items of property, plant and equipment	(562)	(71)
Increase in pledged deposits	(109)	(15)
Acquisition of bond	(1,050)	(20,000)
Decrease in time deposits with original maturity of more than three months when acquired	-	25,000
	<hr/>	<hr/>
Net cash flows (used in)/generated from investing activities	(448)	5,407
CASH FLOWS FROM FINANCING ACTIVITIES		
New trust receipt loans	3,577	6,898
Repayment of trust receipt loans	(11,295)	(1,312)
Principal portion of lease payments	(103)	(219)
	<hr/>	<hr/>
Net cash flows (used in)/generated from financing activities	(7,821)	5,367
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(31,428)	(6,296)
Cash and cash equivalents at beginning of period	59,335	41,892
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	27,907	35,596
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents stated in the condensed consolidated statement of financial position	27,907	38,404
Bank overdrafts, secured	-	(2,808)
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	27,907	35,596
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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

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties and financial assets at fair value through profit or loss which have been measured at valuation or fair value. These unaudited condensed consolidated financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2023.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2023, except for the standards, amendments and interpretations to the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA applicable to the annual period beginning on 1 April 2023.

2. BASIS OF PREPARATION (Continued)

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:

HKFRS 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 adoption of these new and revised HKFRSs has had no material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four (six months ended 30 September 2022: four) reportable operating segments as follows:

- (a) the construction business segment is engaged in construction contract works, as a main contractor, fitting-out works, as well as the provision of electrical and mechanical engineering services;
- (b) the securities investment segment is engaged in investment in securities;
- (c) the property investment business segment is engaged in the holding of investment properties; and
- (d) the money lending business.

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

3. OPERATING SEGMENT INFORMATION (Continued)

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

	(Unaudited)					(Unaudited)				
	Three months ended 30 September 2023					Six months ended 30 September 2023				
	Construction contracting and related business	Investment in securities	Property investment	Money lending business	Total	Construction contracting and related business	Investment in securities	Property investment	Money lending business	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Revenue from the contracts with customers	96,049	-	-	-	96,049	191,937	-	-	-	191,937
Revenue from other sources	-	3,065	149	1,024	4,238	-	1,593	297	1,804	3,694
Other income and gains	212	-	-	-	212	314	-	-	-	314
	<u>96,261</u>	<u>3,065</u>	<u>149</u>	<u>1,024</u>	<u>100,499</u>	<u>192,251</u>	<u>1,593</u>	<u>297</u>	<u>1,804</u>	<u>195,945</u>
Segment results										
Operating profit/(loss)	(2,548)	2,523	(441)	690	224	(4,451)	507	(836)	1,050	(3,730)
<i>Reconciliation:</i>										
Interest income					693					1,273
Unallocated expenses					(963)					(1,763)
Finance costs					(41)					(80)
Loss before tax					<u>(87)</u>					<u>(4,300)</u>
Other segment information:										
Reversal of impairment of accounts receivable	-	-	-	-	-	924	-	-	-	924
Gain on disposal of items of property, plant and equipment	-	-	-	-	-	16	-	-	-	16
Depreciation of property, plant and equipment	289	-	-	172	461	576	-	-	339	915
Amortisation of an intangible asset	-	-	-	12	12	-	-	-	23	23
Interest on lease liabilities	8	-	-	-	8	17	-	-	21	38

3. OPERATING SEGMENT INFORMATION (Continued)

	(Unaudited)					(Unaudited)				
	Three months ended 30 September 2022					Six months ended 30 September 2022				
	Construction contracting and related business	Investment in securities	Property investment	Money lending business	Total	Construction contracting and related business	Investment in securities	Property investment	Money lending business	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Revenue from the contracts with customers	74,638	-	-	-	74,638	141,828	-	-	-	141,828
Revenue from other sources	-	(938)	149	777	(12)	-	(191)	302	1,449	1,560
Other income and gains	728	-	14	-	742	977	-	21	-	998
	<u>75,366</u>	<u>(938)</u>	<u>163</u>	<u>777</u>	<u>75,368</u>	<u>142,805</u>	<u>(191)</u>	<u>323</u>	<u>1,449</u>	<u>144,386</u>
Segment results										
Operating profit/(loss)	1,100	(938)	42	424	628	(2,116)	(191)	31	756	(1,520)
<i>Reconciliation:</i>										
Interest income					313					493
Unallocated income					20					20
Unallocated expenses					(1,016)					(2,759)
Finance costs					(11)					(19)
Loss before tax					<u>(66)</u>					<u>(3,785)</u>
Other segment information:										
Reversal of impairment of accounts receivable	(391)	-	-	-	(391)	(423)	-	-	-	(423)
Gain on disposal of items of property, plant and equipment	-	-	-	-	-	93	-	-	-	93
Depreciation of property, plant and equipment	287	-	(44)	182	425	572	-	-	363	935
Amortisation of an intangible asset	-	-	-	12	12	-	-	-	23	23
Interest on lease liabilities	7	-	-	-	7	14	-	-	1	15

Geographical information of income from external customers

The Group's revenue is derived from and located at Hong Kong.

4. REVENUE, OTHER INCOME AND GAINS

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

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

	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Revenue from contracts with customers				
Income from the construction contracting and related businesses	96,049	74,638	191,937	141,828
Revenue from other sources				
Fair value gain/(loss) on equity investments at fair value through profit or loss, net	2,962	(1,036)	1,321	(384)
Dividend income from equity investment at fair value through profit or loss	9	4	9	4
Interest income on debt investments at fair value through profit or loss	94	94	263	189
Interest income on loans receivable	1,024	777	1,804	1,449
Rental income from property investment business	149	149	297	302
	100,287	74,626	195,631	143,388
Other income and gains				
Interest income	693	313	1,274	493
Government grants*	–	679	–	895
Others	212	84	314	124
	905	1,076	1,588	1,512

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

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

	(Unaudited)		(Unaudited)	
	Three months ended	2022	Six months ended	2022
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Building construction works	51,540	39,894	99,302	66,099
Electrical and mechanical engineering works	39,290	33,307	84,864	73,493
Fitting-out works	5,219	1,437	7,771	2,236
Total revenue from contracts with customers transferred over time	96,049	74,638	191,937	141,828

For the three months and six months ended 30 September 2023, the revenue from contracts with customers of HK\$96,049,000 and HK\$191,937,000, respectively are the same as the amounts of income from external customers under the construction contracting and related business segment.

(ii) Performance obligations

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

Construction services

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

5. LOSS BEFORE TAX

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

	(Unaudited) Three months ended 30 September 2023		(Unaudited) Six months ended 30 September 2023	
	HK\$'000	2022 HK\$'000	HK\$'000	2022 HK\$'000
Cost of construction contracting	91,391	67,368	182,718	130,767
Depreciation of property, plant and equipment	461	425	915	935
Amortisation of an intangible asset	12	12	23	23
Lease payments not included in the measurement of lease liabilities	959	972	1,913	1,944
Rental income on investment properties	(149)	(149)	(297)	(302)
Less: outgoings	19	19	41	33
Net rental income	(130)	(130)	(256)	(269)
Employee benefit expense (including directors' remuneration):				
Wages, salaries and allowances	6,793	7,552	17,850	15,096
Pension scheme contributions*	347	172	564	435
Less: Amount included in cost of construction contracting	(851)	(1,951)	(5,624)	(4,077)
	6,289	5,773	12,790	11,454
Directors' remuneration:				
Fee	300	300	600	600
Salaries and allowances	-	-	-	-
Pension scheme contributions	-	-	-	-
	300	300	600	600
Loss on disposal of items of property, plant and equipment [^]	-	-	16	93
Reversal of impairment of accounts receivable [^]	-	(391)	(924)	(423)

* As at 30 September 2023, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (31 March 2023: Nil).

[^] These amounts are included in "Other operating income, net" on the face of the condensed consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	(Unaudited) Three months ended 30 September 2023		(Unaudited) Six months ended 30 September 2023	
	HK\$'000	2022 HK\$'000	HK\$'000	2022 HK\$'000
Interest on lease liabilities	8	7	17	15
Interest on interest-bearing bank borrowings	96	35	232	35
Less: Interest capitalised	(63)	(31)	(169)	(31)
	41	11	80	19

7. INCOME TAX

No provision of Hong Kong profit made during six months ended 30 September 2023 and 2022 as the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during that period or the Group's subsidiaries had available tax losses brought forward from prior years to offset the assessable profits generated during the period.

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 Reporting Period.

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 September 2023		(Unaudited) Six months ended 30 September 2023	
HK\$'000	2022 HK\$'000	HK\$'000	2022 HK\$'000

Loss

Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation

(87)	(66)	(4,300)	(3,785)
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(Unaudited) Three months ended 30 September 2023		(Unaudited) Six months ended 30 September 2023	
2022	2022	2022	2022

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	240,000,000	200,000,000
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9. DIVIDEND

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

10. ACCOUNTS RECEIVABLE

	(Unaudited) 30 September 2023 HK\$'000	(Audited) 31 March 2023 HK\$'000
Accounts receivable	28,197	21,872
Impairment	(2,526)	(3,450)
	25,671	18,422

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

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

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

	(Unaudited) 30 September 2023 HK\$'000	(Audited) 31 March 2023 HK\$'000
Within 90 days	24,968	17,288
91 to 180 days	237	197
181 to 360 days	466	13
Over 360 days	-	924
Total	25,671	18,422

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited) 30 September 2023 HK\$'000	(Audited) 31 March 2023 HK\$'000
Listed equity investments, at fair value	29,127	27,428
Listed debt investments, at fair value	5,796	5,826
Unlisted debt investments, at fair value	5,678	6,003
	40,601	39,257

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

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

12. ACCOUNTS PAYABLE

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

	(Unaudited) 30 September 2023 HK\$'000	(Audited) 31 March 2023 HK\$'000
Within 90 days	14,379	19,165
91 to 180 days	500	31
181 to 360 days	10	491
Over 360 days	3,090	3,723
	17,979	23,410

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

13. SHARE CAPITAL

	(Unaudited)	(Audited)
	30 September	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

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	30 September	31 March	30 September	31 March
	2023	2023	2023	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Financial assets at fair value through profit or loss (note 11)	40,601	39,257	40,601	39,257

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

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 September 2023

	(Unaudited)			Total HK\$'000
	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through profit or loss				
– Listed equity investments	29,127	–	–	29,127
– Listed debts investments	5,796	–	–	5,796
– Unlisted debt investments	–	5,678	–	5,678
	34,923	5,678	–	40,601

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

As at 31 March 2023

	(Audited)			Total HK\$'000
	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through profit or loss				
- Listed equity investments	27,428	-	-	27,428
- Listed debt investments	5,826	-	-	5,826
- Unlisted debt investments	-	6,003	-	6,003
	33,254	6,003	-	39,257

15. EVENTS AFTER THE REPORTING PERIOD

The Group does not have significant events after the Reporting Period.



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 it provides 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 and earns rental income; and (iv) money lending business.

The Group's revenue for the Reporting Period recorded at approximately HK\$195,631,000, which represented an increase of approximately 36.4% from approximately HK\$143,388,000 for the six months ended 30 September 2022. For construction segment, revenue for the Reporting Period recorded at approximately HK\$191,937,000, which represented an increase of 35.3% from approximately HK\$141,828,000 for the six months ended 30 September 2022. For investment in marketable securities segment, revenue for the Reporting Period recorded at approximately HK\$1,593,000, which represented an increase of 934% from a loss of approximately HK\$191,000 for the six months ended 30 September 2022. For property investment segment, revenue for the Reporting Period recorded at approximately HK\$297,000, which represented a decrease of approximately 1.7% from approximately HK\$302,000 for the six months ended 30 September 2022. For money lending segment, revenue for the Reporting Period recorded at approximately HK\$1,804,000, which represented an increase of approximately 24.5% from approximately HK\$1,449,000 for the six months ended 30 September 2022.



(i) **Construction Segment**

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

For the Reporting Period, revenue recorded at this section amounted to approximately HK\$99,302,000 (2022: HK\$66,099,000).

The increase of approximately 50% was mainly due to the increase in revenue recognition for main contractor for proposed residential redevelopment at No. 16 Bowen Road, foundation, excavation and lateral support works at Duke Street, and alteration and addition works at House A, No. 75 Peak Road, Hong Kong.

(b) ***E&M works:***

For the Reporting Period, revenue recorded from this section amounted to approximately HK\$84,864,000 (2022: HK\$73,493,000).

The increase by approximately 15% 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 and triennial term contract for the maintenance and repair of, alterations and additions to fire service installations for Airport Venues.

The above increase was partially offset by lesser revenue recognition for 18-month term contract for the maintenance and repair of, alterations and additions to fire services installations for Health Services Buildings in Hong Kong Region and Outlying Islands which were almost completed during the Reporting Period.

(c) Interior fitting-out works:

For the Reporting Period, revenue recorded from this section amounted to approximately HK\$7,771,000 (2022: HK\$2,236,000).

The significant increase of approximately 247% was mainly due to the increase in revenue derived from the re-styling works for a premium brand shop in Central and interior fitting-out works for an office at Kwun Tong.

(ii) Investment in marketable securities segment


For the Reporting Period, gain recorded from this segment amounted to approximately HK\$1,593,000 (six months ended 30 September 2022: loss of approximately HK\$191,000).

As at 30 September 2023, the Group managed a portfolio of listed equity investments and fund investments with fair value of approximately HK\$40 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) an unrealised loss on fair value change of listed equity investments and fund investments of approximately HK\$2,417,000 (six months ended 30 September 2022: approximately HK\$1,260,000); (ii) a realised gain of approximately HK\$3,737,000 (six months ended 30 September 2022: approximately HK\$876,000); (iii) interest income received from unlisted debt investments of approximately HK\$263,000 (six months ended 30 September 2022: approximately HK\$189,000); and (iv) dividend income received from equity investments of approximately HK\$9,000 (six months ended 30 September 2022: approximately HK\$4,000). Details of the marketable securities are disclosed under the section “**SIGNIFICANT INVESTMENTS**”.

(iii) Property investment segment

For the Reporting Period, revenue recorded from this segment amounted to approximately HK\$297,000 (six months ended 30 September 2022: HK\$302,000). It was mainly attributable to rental income earned from the investment properties.



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

(iv) Money lending business segment

For the Reporting Period, revenue recorded from this segment amounted to approximately HK\$1,804,000 (six months ended 30 September 2022: HK\$1,449,000).

Basic loss per share is HK1.79 cent for the Reporting Period.

Financial Review

Revenue


For the Reporting Period, the Group's revenue amounted to approximately HK\$195.6 million, increased by approximately 36.4% as compared to the last period. The increase in revenue was mainly due to the increase in revenue recognition for construction segment.

Gross profit margin

The Group's gross profit increased from approximately HK\$12.6 million for the six months ended 30 September 2022 to approximately HK\$12.9 million for the Reporting Period. It represented an increase of approximately HK\$0.3 million or 2.4%.

During the Reporting Period, the gross profit margin was approximately 6.6%, down by approximately 2.2 percentage points as compared to last period's 8.8%.

After excluding the portion generated from the investment in marketable securities segment, the property investment segment and money lending business segment, the gross profit margin for this Reporting Period was approximately 4.8%, decreased by approximately 3 percentage point as compared to last period's 7.8%.



The decrease in overall gross profit margin was mainly due to additional profit recognition for a building contraction work upon completion, which was recorded in the last reporting period.

Other income and gains

Other income increased by approximately HK\$0.1 million or 5.0% from approximately HK\$1.5 million for the six months ended 30 September 2022 to approximately HK\$1.6 million for the Reporting Period. The increase was mainly due to the increase in interest income during the Reporting Period.

Administrative expenses

Administrative expenses increased by approximately HK\$1.4 million or 7.7% from approximately HK\$18.2 million for the six months ended 30 September 2022 to approximately HK\$19.6 million for the Reporting Period. The increase was mainly due to the increase in staff costs.

Finance costs

Finance costs increased by approximately HK\$61,000 or 321% from approximately HK\$19,000 for the six months ended 30 September 2022 to approximately HK\$80,000 for the Reporting Period. The increase was mainly due to increase in interest expense incurred on short-term loans during the Reporting Period.

Dividend

The Directors do not recommend the payment of any interim dividend for the Reporting Period (six months ended 30 September 2022: Nil).

Loans and interest receivables

The Group's loans and interest receivable increased by approximately HK\$4.4 million or 11.6% as at 30 September 2023 as compared to 31 March 2023. It was mainly due to the new loan granted during the Reporting Period.

Accounts receivable

The Group's accounts receivable increased by approximately HK\$7.2 million or 39.3% as at 30 September 2023 as compared to 31 March 2023, which mainly due to the increase in revenue recognition at the end of the Reporting Period.

Accounts payable

The Group's accounts payable decreased by approximately HK\$5.4 million or 23.2% as at 30 September 2023 as compared to 31 March 2023. It was mainly due to decreased in the largest sub-contractor work done at the reporting date as compared to 31 March 2023.

Other payables and accruals

The Group's other payables and accruals decreased by approximately HK\$6.3 million or 7.6% as at 30 September 2023 as compared to 31 March 2023. The decrease was mainly due to settlement of accruals after 31 March 2023.

Liquidity and financial resources

The Group continued to maintain a suitable liquid position. As at 30 September 2023, the Group had cash and cash equivalents of HK\$27,907,000 (31 March 2023: HK\$59,335,000) mainly in Hong Kong dollars. As at 30 September 2023, the Group had total assets of HK\$313,671,000 (31 March 2023: HK\$322,410,000). The Group's current ratio as at 30 September 2023 was 1.22 compared to 1.28 as at 31 March 2023.

As at 30 September 2023, the gearing ratio for the Group was 2.0% (31 March 2023: 2.0%). It was calculated based on the non-current liabilities of HK\$2,960,000 (31 March 2023: HK\$3,063,000) and long term capital (equity and non-current liabilities) of HK\$149,601,000 (31 March 2023: HK\$154,004,000).

Capital expenditure

The Group's total capital expenditure for the Reporting Period was approximately HK\$562,000, which was mainly used for leasehold improvements, the purchase of computer equipment and motor vehicle.



Contingent liabilities

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

Commitments

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

Charges on group assets

The Group's banking facilities are secured by:

- (i) the pledge of the Group's leasehold land and buildings situated in Hong Kong of HK\$19,179,000 (31 March 2023: HK\$19,600,000); and
- (ii) the pledge of the Group's deposits of HK\$17,363,000 (31 March 2023: HK\$17,254,000).

Treasury policies

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

Exchange risk exposure

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

Capital structure and fund raising activities

Placing of Shares under General Mandate

On 9 September 2022, the Company entered into the placing agreement with the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, up to 40,000,000 placing shares at the placing price of HK\$0.8 per placing share to not less than six placees who are professional, institutional or other investors that are third parties independent of the Company and its connected persons. The placing shares were allotted and issued pursuant to the general mandate, which had been approved at the annual general meeting of the Company. Details of the placing of new shares were set out in the announcements of the Company dated 9 September 2022 and 30 September 2022. As of 30 September 2023, the Company has fully utilised the net proceeds of HK\$30.8 million. The table below sets out the planned applications of the net proceeds and actual usage up to 30 September 2023.

Use of proceeds	Planned applications HK\$ million	Percentage of total net proceeds	Actual usage up to 30 September 2023 HK\$ million
Acquisition of property	6.8	22.0%	6.8
Expansion of investment in securities business	10.0	32.5%	10.0
Expansion of money lending business	8.0	26.0%	8.0
General working capital to defray its expenses for day-to-day business	6.0	19.5%	6.0
	<hr/>		
	30.8	100.0%	30.8

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



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

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

During the Reporting Period, new projects such as i) triennial term contract for the maintenance and repair of, alterations and additions to fire service installations for the venues of boundary crossing facilities and transport services division for the Government of HKSAR, ii) replacement of lighting installations at various government premises and iii) restyling work of a premium brand shop in Central and interior fitting-out works of a premium brand shop in Causeway Bay, 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\$931 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 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 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 application for additional licences, permits or qualifications which may be required; (ii) exercise more caution when tendering for new construction contracts and continue to selectively undertake new contracts; and (iii) further strengthen the Group's construction department through recruiting additional qualified and experienced staff.

(ii) Investment in Securities Business

The Group has set up a Treasury Management Committee (“**Treasury Management Committee**”) to implement on the Group’s behalf the investment policy and guidelines for its investments in securities business. The Treasury Management Committee comprises one chairman and two committee members (being at least two Directors of the Company, including at least one executive Director who acts as the investment manager). The Board will adopt cautious measures to manage this business activity aiming to generate additional investment return on available funds of the Group from time to time.

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

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

(iii) Property Investment Business

The Group’s investment properties consist of two commercial properties in Hong Kong. The Directors have determined that the investment properties are 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 continues to make efforts to develop the money lending business. Even though the market for the money lending industry in Hong Kong has become increasingly competitive and uncertain in view of the external business environment, the Group believes that the money lending business will provide a positive impact and return to the Group.

SIGNIFICANT INVESTMENTS

As at 30 September 2023, the Group held approximately HK\$40,601,000 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						
			(2,060.8)	29,126.8	71.7	19.9
			(2,060.8)	29,126.8	71.7	19.9
Listed debt investments						
The Govt of HKSAR of the PRC Retail Green Bonds 2025						
1	04252	Hong Kong	(30.0)	5,796.0	14.3	4.0
Unlisted debt investments						
JPMorgan Asian Total Return Bond (Mth)						
2	HK0000102936	Hong Kong	(189.4)	2,733.6	6.7	1.8
AB FCP I – American Income Portfolio (At USD)						
3	LU0157308031	Luxembourg	(136.3)	2,944.2	7.3	2.0
			(325.7)	5,677.8	14.0	3.8
			(2,416.5)	40,600.6	100.0	27.7

Notes:

- 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\$9,085,000 and a gain recognised in revenue for the amount of approximately HK\$3,737,000. Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds HK\$'000	Realised gain/(loss) HK\$'000
Silver Tide Holdings Limited	1943	Cayman Islands	5,423	3,089
Investments with individual realised gain/(loss) of less than HK\$500,000			3,662	648
			9,085	3,737

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

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this report, our Group did not have other plans for material investment or capital assets as at 30 September 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the Reporting Period, there were no material acquisitions or disposals of subsidiaries and affiliated companies by the Group.



EVENTS AFTER THE REPORTING PERIOD

The Group does not have any significant events after the Reporting Period.

HUMAN RESOURCES


As at 30 September 2023, the Group had 93 employees who were mainly based in Hong Kong. The total employee benefit expenses including directors' emoluments for the Reporting Period amounted to approximately HK\$12,790,000 as compared to approximately HK\$11,454,000 for the same period in 2022. The slight increase was mainly due to increase in headcount and salary in the Reporting Period.

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

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 August 2015 and the Stock Exchange granting approval of the listing of and permission to deal in the shares to be issued under the share option scheme (the "**Share Option Scheme**") on 11 August 2015, the Company has adopted the Share Option Scheme. Under the terms of the Share Option Scheme, the Board of the Company may, at its discretion, grant options to eligible participants to subscribe for shares in the Company. There was no share option outstanding under the Share Option Scheme as at 30 September 2023.

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



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

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

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

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

No share option was granted during the Reporting Period and there was no share option outstanding as at 30 September 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 September 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 September 2023, none of the Directors or chief executive of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

As at 30 September 2023, so far as is known to the Directors of the Company, the following persons (other than Directors or chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
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 September 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 BUSINESS

During the Reporting Period and up to the date of this report, Mr. Wong Yuk Lun Alan and Mr. Lam Wai Hung have 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules. No director has dealt in the shares of the Company during the Reporting Period.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the 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 of the GEM Listing Rules as its own corporate governance code since its listing date. The Company has, so far as applicable, principally complied with the CG Code during the Reporting Period.



AUDIT COMMITTEE

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

The unaudited interim results of the Group for the six months ended 30 September 2023 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, 13 November 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.