

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF 85.7% OF THE ISSUED SHARE CAPITAL OF AND LOAN TO DESON CONSTRUCTION ENGINEERING LIMITED

The Board announces that after trading hours of the Stock Exchange on 10 August 2021, the Vendor, a direct wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Purchaser whereby the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares and the Sale Loan at an aggregate consideration of HK\$2.0 million. The Sale Shares represent 85.7% of the issued share capital of DCEL, which in turn holds 70% equity interest in Beijing Chang-de. Upon Completion, the Group has ceased to have any interests in DCEL Group. As such, the financial results of DCEL Group will no longer be consolidated into the financial statements of the Company upon Completion.

As the applicable percentage ratios calculated pursuant to Rule 19.06 of the GEM Listing Rules in respect of the Disposal are above 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

The Board announces that the Vendor, a direct wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Purchaser after trading hours of the Stock Exchange on 10 August 2021 in relation to the disposal by the Vendor of the Sale Shares and the Sale Loan. The principal terms of the Disposal Agreement are set out below.

THE DISPOSAL AGREEMENT

Date: 10 August 2021 (after trading hours of the Stock Exchange)

Parties:

- (i) Vendor: Latest Ventures Limited, a direct wholly-owned subsidiary of the Company; and
- (ii) Purchaser: Golden Discovery Limited.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

Assets to be disposed of:

The assets to be disposed of comprise (i) the Sale Shares, being 857 ordinary shares in the existing issued share capital of DCEL, representing 85.7% of the entire issued share capital of DCEL as at the date of this announcement and as at Completion; and (ii) the Sale Loan. The principal amount of the Sale Loan was approximately HK\$22,053,370 as at Completion.

Consideration:

The aggregate consideration for the Sale Shares and the Sale Loan is HK\$2.0 million.

The Consideration shall be paid by the Purchaser in cash upon Completion.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among other things, (i) the financial position of DCEL Group, which recorded an unaudited consolidated net liabilities position of approximately HK\$36.6 million as at 31 March 2021; (ii) the historical financial performance of DCEL Group which recorded unaudited consolidated operating losses in the past few years, except for the year ended 31 March 2020 which was primarily due to the combined effect of a slightly higher gross profit margin for the year, the reduction of general and administrative costs including staff and associated costs related to the closure of a branch office of Beijing Chang-de in August 2019 and the reversals of impairment for account receivables prepayment and other receivables and account receivables in the amount of approximately HK\$1.4 million; (iii) the business focus of the Group and the financial prospect of DCEL Group, details of which are set out in the paragraph headed "Reasons for the Disposal" below in this announcement; and (iv) the ongoing requirements to maintain the two licences held by Beijing Chang-de. The Consideration represents a premium of approximately HK\$16.5 million over the unaudited consolidated net liabilities position of DCEL Group (as adjusted for the Sale Loan).

Completion:

Completion shall take place immediately after the execution of the Disposal Agreement.

REASONS FOR THE DISPOSAL

The Board considers that the Disposal represents a good opportunity for the Group to gradually exit the construction business in the PRC. The Board has considered that: (i) DCEL Group was not performing well in the past few years and has recognised unaudited consolidated operating losses in past few years except for the year ended 31 March 2020; (ii) to maintain the relevant licenses in the PRC, Beijing Chang-de has to maintain a minimum level of qualified construction related staff, working capital and net assets, which has been a burden to the Group; (iii) the Group has decided to focus its construction business on the local markets in Hong Kong and Macau; and (iv) the Consideration represents a significant premium over the unaudited consolidated net liabilities position of DCEL Group (as adjusted for the Sale Loan).

Based on the above, the Board considers that the Disposal, including the Consideration are on normal commercial terms, fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

INFORMATION OF THE VENDOR AND THE GROUP

The Company is an investment holding company. The Group is principally involved in (i) the construction business, as a main contractor, fitting-out works, and as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, the PRC and Macau and other construction related business; (ii) investment in securities; (iii) property investment; and (iv) money lending business.

The Vendor is an investment holding company, a direct wholly-owned subsidiary of the Company and owned 85.7% of the entire issued share capital of DCEL immediately before Completion.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the BVI on 12 July 2019 and is principally engaged in investment holding. The ultimate beneficial owner of the Purchaser is Mr. Richard Kwok, who is a resident of Hong Kong, a businessman and an Independent Third Party.

INFORMATION OF DCEL GROUP

DCEL is an investment holding company which in turn owns 70% of the equity interest in Beijing Chang-de. Beijing Chang-de is engaged in the business of decoration engineering in the PRC. Beijing Chang-de is currently the holder of “Grade I

Professional Contractor of Construction and Renovation Works* (建築裝修裝飾工程專業承包壹級)” and “Grade A Professional Interior Design* (建築裝飾工程設計專項甲級)” licences in the PRC.

Set out below is a summary of the unaudited consolidated financial information of DCEL Group prepared in accordance with the Hong Kong Financial Reporting Standards for the two years ended 31 March 2021 and 2020:

	For the year ended 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	127,964	183,916
Profit/(loss) before taxation	(3,591)	2,509
Profit/(loss) after taxation	(3,527)	2,239
	As at 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	64,806	48,933
Total liabilities	(101,356)	(80,474)
Net liabilities	(36,550)	(31,541)

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Group has ceased to have any interests in DCEL Group. As such, the financial results of DCEL Group will no longer be consolidated into the financial statements of the Company upon Completion.

As a result of the Disposal, the Group is expected to recognise a gain of approximately HK\$3,216,000 (exclusive of transaction costs), which is calculated on the basis of the difference between the unaudited consolidated net assets of DCEL of approximately HK\$286,000 (as adjusted for the Sale Loan and the Non-controlling Interests) as at 31 March 2021, the cumulative amount of the exchange differences of approximately HK\$1,802,000 being reclassified from the equity to profit or loss and the estimated net proceeds from the Disposal of approximately HK\$1,700,000. The actual gain from the Disposal will be determined based on the consolidated financial position of DCEL up to Completion and subject to the review of the Company’s auditors upon finalisation of the consolidated financial statements of the Group for the year ending 31 March 2022, and accordingly it may be different from the amount stated above. The Consideration was received in cash on Completion. The Group intends to use the proceeds from the Disposal as general working capital.

* *For identification purpose only*

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated pursuant to Rule 19.06 of the GEM Listing Rules in respect of the Disposal are above 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Beijing Chang-de”	北京長迪建築裝飾工程有限公司 (Beijing Chang-de Architectural & Decoration Co., Ltd.) a company established in the PRC, an indirect 70%-owned subsidiary of the Company immediately before Completion
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Smart City Development Holdings Limited (智城發展控股有限公司) (Stock Code: 8268), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Loan under the Disposal Agreement
“connected person(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Consideration”	the aggregate consideration for the Disposal of HK\$2.0 million pursuant to the terms and conditions of the Disposal Agreement
“DCEL”	Deson Construction Engineering Limited, a company incorporated in the BVI with limited liability and an indirect 85.7%-owned subsidiary of the Company immediately before Completion
“DCEL Group”	DCEL and its subsidiary, Beijing Chang-de
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan by the Vendor to the Purchaser pursuant to the Disposal Agreement

“Disposal Agreement”	the sale and purchase agreement dated 10 August 2021 entered into between the Vendor and the Purchaser in relation to the Disposal
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party (ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are independent of and not connected with any of the directors, chief executive, or substantial shareholders (with the meaning ascribed to it under the GEM Listing Rules) of the Company or its subsidiaries or any of their respective associates
“Macau”	the Macau Special Administrative Region of the PRC
“Non-controlling Interests”	the non-controlling interests in DCEL Group, being the 14.3%-interest in DCEL and the 30%-interest in Beijing Chang-de
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement
“Purchaser”	Golden Discovery Limited, a company incorporated in the BVI on 12 July 2019, an Independent Third Party
“Sale Loan”	all the loans due from DCEL to the Vendor (or its associates) as at Completion
“Sale Shares”	857 ordinary shares in the capital of DCEL, representing 85.7% of the entire issued share capital of DCEL as at the date of this announcement and as at Completion
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendor” Latest Ventures Limited, a company incorporated in the BVI and a direct wholly-owned subsidiary of the Company

“%” per cent

On behalf of the Board
Smart City Development Holdings Limited
Hung Kenneth
Executive Director

Hong Kong, 10 August 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 GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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