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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)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE DISPOSAL

The Board is pleased to announce that, on 18 July 2025 (after trading hours of the Stock Exchange), the Vendor, a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company. The Consideration for the Sale Share was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms and shall be equal to the Completion NAV. The unaudited NAV of the Target Group as at 31 March 2025 was approximately HK\$37.5 million.

Upon Completion, the Group will cease to have any shares in the Target Company. As such, the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the relevant applicable percentage ratios in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder is more than 25% but less than 75%, the Sale and Purchase Agreement and the transactions contemplated thereunder constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is accordingly subject to the reporting, announcement and Shareholders' approval requirements set out under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder or its/his/her associate(s) has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and accordingly, no Shareholder is required to abstain from voting at the EGM to be convened by the Company for approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

GENERAL

An EGM will be convened to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details on the terms of the Disposal; (ii) other information as required under the GEM Listing Rules; and (iii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 8 August 2025 in accordance with the GEM Listing Rules.

Shareholders and potential investors should note that the Completion is subject to the fulfillment of the condition precedent and the Completion thereof may or may not proceed. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that, on 18 July 2025 (after trading hours of the Stock Exchange), the Vendor, a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date	18 July 2025
Parties	(1) The Vendor; and (2) The Purchaser. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is an Independent Third Party.

Subject matter

The Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Share, being 1 share of the Target Company, representing the entire issued share capital of the Target Company.

Consideration and payment terms

The Consideration for the Sale Share was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms and shall be equal to the Completion NAV.

The Completion NAV will be determined based on the Completion Accounts prepared as at the Completion Date in accordance with Hong Kong Financial Reporting Standards. The unaudited NAV of the Target Group as at 31 March 2025 was approximately HK\$37.5 million. The Consideration is payable by the Purchaser to the Vendor in cash in the following manner:

- (i) a sum of HK\$2,000,000 was paid to the Vendor as Deposit and part payment towards the Consideration, on the date of the Sale and Purchase Agreement;
- (ii) a sum of HK\$28,000,000 (being the Second Tranche Payment) shall be paid to the Vendor on the Completion Date; and
- (iii) the balance of the Consideration (if any) shall be payable by the Purchaser to the Vendor within 5 Business Days after the agreement or determination of the Completion Accounts and the Completion NAV statement in accordance with the Sale and Purchase Agreement.

Where the Completion NAV of the Target Group is higher than the aggregate amount of the Deposit and the Second Tranche Payment paid by the Purchaser to the Vendor pursuant to the Sale and Purchase Agreement, the Purchaser shall pay the balance of Consideration pursuant to (iii) above.

Where the Completion NAV of the Target Group is lower than the aggregate amount of the Deposit and the Second Tranche Payment paid by the Purchaser to the Vendor pursuant to the Sale and Purchase Agreement, the Vendor shall refund any difference between (a) the Completion NAV of the Target Group and (b) the aggregate amount of the Deposit and the Second Tranche Payment to the Purchaser within 5 Business Days after the agreement or determination of the Completion Accounts and the Completion NAV statement in accordance with the Sale and Purchase Agreement.

Conditions precedent

Completion is subject to and conditional upon the following conditions precedent:

- (a) the shareholders' approval of the Company approving the entering into by the Vendor of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained in accordance with the requirements of the GEM Listing Rules or any other applicable laws or regulations;
- (b) certain licences set out in the Sale and Purchase Agreement (including without limitation the licence in Building Category Group C of the List of Approved Contractor of DDL for public works) remain valid and not being revoked;
- (c) the removal of the KEL Facilities and DEL Facilities under the NCB Facility Letter so that the facilities thereunder shall be exclusively used by DDL; or the written confirmation from NCB being obtained, confirming (a) that there are no outstanding amounts under the KEL Facilities and DEL Facilities on the Completion Date; and (b) that both the KEL Facilities and DEL Facilities are frozen permanently;
- (d) the approval-in-principle of NCB for the release of Corporate Guarantee after the Completion Date being obtained;
- (e) the Vendor having good title to the Sale Share free from all encumbrances of whatsoever nature and other adverse claims;
- (f) the transfer of 1 Class A voting share in DDL held by the Vendor to the Target Company being completed and the amendment to article 53 of the articles of association of DDL being made and filed at the Companies Registry of Hong Kong;
- (g) the completion of a satisfactory due diligence review in relation to each of the Target Company and DDL to such extent as the Purchaser may in its reasonable discretion thinks fit;
- (h) the warranties remaining true and accurate and not misleading in all material respects as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date; and
- (i) no event or circumstance shall have occurred in respect of or in connection with the affairs of the Company and/or which has or will have a material adverse effect.

If the conditions precedent of the Sale and Purchase Agreement are not fulfilled on or before 31 October 2025 (or such other date as the Vendor and the Purchaser may mutually agree in writing), the Sale and Purchase Agreement shall thereupon become terminated and cease to be of effect and the Vendor shall return, or procure the return of, the Deposit (without interest) to the Purchaser.

Completion

Upon fulfillment (or waiver) of all conditions precedent, Completion shall take place on the Completion Date.

INFORMATION ON THE GROUP

The Company is an investment holding company. The Group is 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; (ii) investment in marketable securities; (iii) investment in properties; and (iv) money lending.

INFORMATION ABOUT THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability on 18 June 2014 and is a direct wholly-owned subsidiary of the Company. It is an investment holding company.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, the Target Company, being a direct wholly-owned subsidiary of the Vendor, is an indirect wholly-owned subsidiary of the Company.

DDL is a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Target Company. It is engaged in construction business as a main contractor and investment in marketable securities.

Certain key financial information of the Target Group as extracted from its unaudited consolidated financial information for the two years ended 31 March 2025 is set out below:

	For the year ended 31 March	
	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	217,699	189,476
Loss before tax	(6,982)	(10,156)
Net loss after tax	(7,196)	(11,995)

The unaudited NAV of the Target Group as at 31 March 2025 was approximately HK\$37.5 million.

INFORMATION ON THE PURCHASER

The Purchaser is an individual who is a businessman resides in Hong Kong. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Purchaser is an Independent Third Party.

REASONS AND BENEFITS OF THE DISPOSAL

The Board considers the Disposal to be a strategic initiative that aligns with the Group's long-term objectives and current market conditions. The financial performance of the Target Group has underperformed over the past two financial years, with net loss after tax of the Target Group increasing from approximately HK\$7,196,000 for the year ended 31 March 2024 to approximately HK\$11,995,000 for the year ended 31 March 2025. The losses were primarily due to the downtrend on both residential and commercial markets in Hong Kong in recent years, which has significantly constrained tender opportunities and has led developers to slow new projects. The reduced number of available jobs in the market has caused extremely keen competition environment in the Hong Kong construction industry. Building construction sector under the construction segment was mostly affected and has suffered from continuing loss in the recent years. Further, increasingly stringent bank credit policies have made securing required performance bonds more difficult. These challenges, coupled with the high working capital demands imposed by the Development Bureau of Hong Kong for licence maintenance, have pressured the Group's financial resources. The Disposal will enable the Group to streamline operations and improve the overall performance of construction segment by focusing resources on electrical and mechanical (E&M) engineering and interior fitting-out sectors which are relatively more profitable, while the proceeds will enhance liquidity and financial flexibility of the Group. The Board is of the view that the Disposal provides a good opportunity for the Group to realise its investment in the Target Group and focus its resources to develop its other existing businesses with prospects.

In light of the above, the Directors (including the independent non-executive Directors) believe that the terms of the Disposal and the transactions contemplated under the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable, and the Disposal are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

Upon Completion, the Group will cease to have any shares in the Target Company. As such, the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

For illustration purposes only, assuming the Completion NAV (i.e., the Consideration) is the same as the unaudited NAV of the Target Group as at 31 March 2025, the net proceeds from the Disposal is expected to be approximately HK\$36.8 million, being the Consideration of approximately HK\$37.5 million less the expenses related to the Disposal of approximately HK\$0.7 million. The Company expects to record a loss on Disposal of approximately HK\$700,000, which amount can only be determined on the Completion Date and is subject to audit. The actual net proceeds from the Disposal depends on the unaudited NAV of the Target Group as at the Completion Date. The net proceeds from the Disposal will be utilised as general working capital of the Group.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the relevant applicable percentage ratios in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder is more than 25% but less than 75%, the Sale and Purchase Agreement and the transactions contemplated thereunder constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is accordingly subject to the notification, announcement and Shareholders' approval requirements set out under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder or its/his/her associate(s) has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and accordingly, no Shareholder is required to abstain from voting at the EGM to be convened by the Company for approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

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A circular containing, among other things, (i) further details on the terms of the Disposal; (ii) other information as required under the GEM Listing Rules; and (iii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 8 August 2025 in accordance with the GEM Listing Rules.

Shareholders and potential investors should note that the Completion is subject to the fulfillment of the condition precedent and the Completion thereof may or may not proceed. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of directors of the Company
“Business Day(s)”	a day (other than a Saturday and Sunday or any day during which typhoon no. 8 signal (or above) or “black” rainstorm warning is hoisted and not lowered by 12:00 noon on that day) on which commercial banks in Hong Kong are open for the transaction of general banking business by members of the public
“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 issued Shares of which are listed on GEM of the Stock Exchange
“Completion”	the completion of the Disposal pursuant to the terms and conditions of the Sale and Purchase Agreement
“Completion Account”	the unaudited consolidated balance sheet and income statement of the Target Group as at the Completion Date

“Completion Date”	the date of completion of the Disposal, which shall take place on the third (3rd) Business Day after the date on which the last of the conditions precedent is fulfilled or waived under the Sale and Purchase Agreement (or such other date as the Vendor and the Purchaser may agree in writing)
“Completion NAV”	100% of the unaudited consolidated NAV of the Target Group as at the Completion Date
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the aggregate consideration payable for the Sale Share, which shall be an amount equivalent to the Completion NAV
“Corporate Guarantee”	the corporate guarantee dated 15 August 2024 executed by the Company in favour of NCB to cover general banking facilities from time to time and at any time granted or to be granted by NCB to DDL
“DDL”	Deson Development Limited, a company incorporated under the laws of Hong Kong with limited liability, which is a direct wholly-owned company of the Target Company
“DEL Facilities”	the facilities granted by NCB to Deson Engineering Limited under the NCB Facility Letter
“Deposit”	the deposit in the sum of HK\$2,000,000 paid by the Purchaser upon signing of the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share in accordance with the terms and conditions of the Sale and Purchase Agreement
“EGM”	An extraordinary general meeting of the Company to be convened and held to approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“GEM”	GEM of the Stock Exchange

“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 dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person(s) or company(ies) and their respective ultimate beneficial owner, to the best of the Directors’ knowledge, information and belief having made all reasonable enquires, is/are not connected persons of the Company and is/are third party independent of the Company and its connected persons in accordance with the GEM Listing Rules
“KEL Facilities”	the facilities granted by NCB to Kenworth Engineering Limited under the NCB Facility Letter
“NAV”	with respect to an entity, the aggregate value of the total assets of that entity and its subsidiaries, less the aggregate value of the total liabilities (for the avoidance of doubt such total liabilities shall exclude all contingent liabilities arising in the normal course of business) of that entity and its subsidiaries
“NCB”	means Nanyang Commercial Bank, Limited
“NCB Facility Letter”	means NCB’s facility letter dated 12 March 2025 for the granting of general banking facilities to DDL of up to HK\$40,000,000
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Mr. Lau Tai Wah Gilbert, an Independent Third Party
“Sale and Purchase Agreement”	the Sale and Purchase Agreement entered into between the Vendor and the Purchaser on 18 July 2025 in relation to the Disposal

“Sale Share”	the 1 share of the Target Company, representing the entire issued share capital of the Target Company as at the date of this announcement and immediately prior to the Completion
“Second Tranche Payment”	the payment in the sum of HK\$28,000,000 paid by the Purchaser on the Completion Date
“Shares”	the shares of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Colton Ventures Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Target Group”	Target Company and DDL
“Vendor”	Latest Ventures Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, which is a direct wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 18 July 2025

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 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 website of the Stock Exchange at www.hkexnews.hk on the “Latest Listed Company Information” page for a minimum period of seven days from the date of its publication and on the Company’s website at www.smartcity-d.com.