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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)**

## **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO PLACING OF NEW SHARES UNDER GENERAL MANDATE AND EXTENSION OF LONG-STOP DATE**

Reference is made to the announcement of Smart City Development Holdings Limited (the “**Company**”) dated 9 September 2022 in relation to placing of new shares under general mandate (the “**Announcement**”). Unless otherwise specified, all capitalised terms used herein have the same meaning as those defined in the Announcement.

### **(A) SUPPLEMENTAL INFORMATION**

The Board would like to provide details of the investment property to be acquired and to clarify the reasons for the placing and use of proceeds as set out below.

#### **Details of the investment property to be acquired**

The investment property proposed to be acquired is a commercial office located at Unit C on 9th Floor, Max Share Centre, No. 373 King’s Road, Hong Kong (“**Property**”) with gross floor area of approximately 658 square feet. The Property is located in a prime area of Hong Kong, which is near the North Point MTR station. It is designated for commercial use and shall be sold to the Company free from Encumbrances on an “as-is” basis. The Group intends to lease out the Property to Independent Third Party for rental income, which will allow the Group to benefit from recurring rental income and the rising property prices in Hong Kong.

The expected purchase price of the Property is HK\$6.5 million. According to a preliminary valuation from an independent valuer in early September 2022, the fair value of the Property is approximately HK\$6.5 million.

The Group's currently has two commercial properties in Hong Kong. The acquisition of the Property, which involves a commercial property in Hong Kong, will enhance and enlarge the Group's property investment portfolio, hence increasing the rental revenue base and is in line with the Group's business strategy.

### **Further reasons for the Placing**

The Board considered the Placing is in the interest of the Company and the Shareholders as a whole as the Placing represents a good opportunity to raise additional capital for the Company while broadening the Shareholder base of the Company in the climate when there is an interest rate hike charged by the banks.

The Board has considered the Group's cash and cash equivalents (before excluding the non-pledged time deposits with original maturity of more than three months when acquired) as at 31 August 2022 have decreased significantly from approximately HK\$66.9 million as at 31 March 2022 to approximately HK\$28.8 million as at 31 August 2022, representing a decrease of approximately 57%. Such a decrease of the Group's cash and cash equivalents was mainly due to (i) the subscription of bonds of HK\$20 million as disclosed in the Company's announcement on 11 August 2022; (ii) subscription of listed debt investments of HK\$6 million; (iii) grant of new loan of HK\$6 million under the Money Lending business and (iv) approximately HK\$6.1 million is the cash outflow due to the slowdown of the collection of account receivables and payment of other operating expenses. Of the HK\$28.8 million as at 31 August 2022, HK\$22 million was placed in certain banks as time deposits, of which HK\$12 million with a maturity date in September 2022 and HK\$10 million with a maturity date in late October 2022. Such existing cash and cash equivalents as at 31 August 2022 (which will be available after October 2022 when the time deposit matures) have been ear-marked for (i) repayment of an interest-bearing bank borrowings of the Group which will mature on or before January 2023; (ii) a potential transaction for the Group's money lending business; and (iii) to defray the Group's monthly expenses including salary expenses, rental expenses and other operating expenses, to sustain its construction business. This is because the customers of its construction business generally have a credit period of 14 days to 90 days. Hence, the Group will need to prepare at least three months of cash flows for its construction business.

In view of the above, the Directors considered that the internal resources of the Group are only sufficient to defray its expenses for its day-to-day operations in the ordinary course of business, and will not be sufficient to further finance the acquisition of the Property. The additional funds raised from the Placing for general working capital will also enhance the cash-flows position of the Group and relieve financial stress on the Group.

The Board has considered obtaining bank loan to finance the acquisition of the Property. However, having considered the rising interest rates charged by banks and the expected rental returns, it will render the acquisition of the Property for investment purposes to increase the rental revenue base of the Group to be less attractive. This is because at least half of the rental income will be utilised to service the loan repayment and interest expenses. In addition, the Company is unable to obtain 100% mortgage loan for the acquisition of the Property as the banks generally only provides loan amount equivalent to 40% to 50% of the value of the Property. As such, the alternative fund raising approach to use bank loan is not an ideal alternative for the Group as it will also increase the gearing ratio of the Group.

In addition, the Board also foresees a potential growth in its money lending business and requires cash to prepare for such growth in its money lending business. Furthermore, the Hang Seng Index of the Hong Kong stock market is currently trading at its 5-year low. The Group also see opportunities in stocking up listed shares at low end trading price for its securities investment segment.

### **Use of proceeds and expected timeline**

As set out in the Announcement, the maximum net proceeds from the Placing are expected to be HK\$30,775,000, which the Company intends to apply in the net proceeds from the Placing as follows:

<b>Purpose</b>	<b>Expected timeline</b>
(i) approximately HK\$6.8 million for the acquisition of the Property, including the purchase price of the Property, legal fees and stamp duty;	By 31 December 2022
(ii) approximately HK\$18.0 million for expansion of business as follows:	
(a) HK\$8 million for expansion of the Group's money lending business; and	By 31 March 2023
(b) HK\$10 million for expansion of the Group's investment in securities business;	By 31 March 2023
(iii) approximately HK\$6.0 million for general working capital.	By 31 March 2023

**(B) EXTENSION OF LONG-STOP DATE**

As additional time is required for fulfilment of the conditions precedent set out in the Placing Agreement, the Company and the Placing Agent, after arm's length negotiation, have entered into a supplemental agreement to the Placing Agreement on 30 September 2022 (after trading hours), whereby the parties agreed to extend the Long Stop Date from 30 September 2022 to 21 October 2022.

The Board confirms that the abovementioned clarification does not affect other information contained in the Announcement. Save as disclosed above, all other information in the Announcement shall remain unchanged.

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

Hong Kong, 30 September 2022

*As at the date of this announcement, the Board 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.*

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