
THE DISTRIBUTION AND SPIN-OFF

THE DISTRIBUTION

Information on the Distribution

On 3 March 2023, the Karrie International Board declared a conditional special interim dividend to be satisfied by way of the Distribution to the Qualifying Karrie International Shareholders. Pursuant to the Distribution, the Qualifying Karrie International Shareholders will be entitled to one Share for every four Karrie International Shares held as at the Distribution Record Date, and in such case and for the avoidance of doubt, Qualifying Karrie International Shareholders of less than four Karrie International Shares on the Distribution Record Date will not be entitled to any Shares. On the Distribution Record Date, Karrie International will subscribe for such number of Shares which, together with the existing Shares in issue, equal to 25% of the number of Karrie International Shares in issue as at the Distribution Record Date, at the subscription price of HK\$0.01 each, as will ultimately enable Karrie International to effect the Distribution on the basis of one Share for every four Karrie International Shares held as at the Distribution Record Date. Fractional entitlements of Qualifying Karrie International Shareholders to our Shares under the Distribution will be disregarded and will instead be aggregated and sold by Karrie International on the market and the aggregate proceeds of such sale (net of expense and taxes) will be retained for the benefit of Karrie International. Karrie International Shareholders should note that they will not be required to pay any consideration to Karrie International or our Company for the Shares received pursuant to the Distribution or complete any application form to receive our Shares pursuant to the Distribution.

Our Shares will be traded in board lots of 2,000 Shares each. As a result of the Distribution, Qualifying Karrie International Shareholders may receive our Shares in odd lots. Our Company has appointed Computershare Hong Kong Investor Services Limited as its agent in providing matching service to our Shareholders to facilitate the acquisition of odd lots of our Shares to make up a full board lot or the disposal of any Shares which they may receive in odd lots. For details, please refer to the section headed “Information about this listing document and the Spin-off — Odd lot arrangements” in this listing document.

Our Shares which the Excluded Karrie International Shareholders would otherwise receive pursuant to the Distribution will be transferred to a nominee selected by the Karrie International Board, who will sell such Shares in the market as soon as reasonably practicable following the commencement of dealings in our Shares on the Stock Exchange. The aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Excluded Karrie International Shareholders (pro rata to their shareholdings in Karrie International as at the Distribution Record Date) in Hong Kong dollars in full satisfaction of the relevant Shares which they would otherwise

THE DISTRIBUTION AND SPIN-OFF

receive pursuant to the Distribution, provided that if the amount that an Excluded Karrie International Shareholder would be entitled to receive is less than HK\$100, such sum will be retained for the benefit of Karrie International.

Share certificates are expected to be despatched to the Qualifying Karrie International Shareholders (except for any Excluded Karrie International Shareholders) on Wednesday, 22 March 2023 by ordinary post at their own risks. The Share certificates will only become valid if the Distribution becomes unconditional.

The Qualifying Karrie International Shareholders who hold Karrie International Shares through CCASS Clearing Participants or CCASS Custodian Participants will receive our Shares through their respective brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants.

As the Spin-off will be implemented by way of the Distribution and there will be no dilution of the indirect attributable interest of the Qualifying Karrie International Shareholders in our Company, the Spin-off will not constitute a transaction for Karrie International under Chapter 14 of the Listing Rules and accordingly, the approval of the Karrie International Shareholders will not be required for the Spin-off.

Condition to the Distribution

The Distribution is conditional upon the Listing Committee granting approval for the listing by way of introduction of, and permission to deal in, our Shares on the Main Board of the Stock Exchange and such approval not having been revoked prior to the completion of the Spin-off. If such conditions are not satisfied, the Spin-off and the Listing will not take place.

Excluded Karrie International Shareholders

The distribution of our Shares under the Distribution to certain Karrie International Shareholders may be subject to laws of jurisdictions outside Hong Kong. Karrie International Shareholders whose addresses registered in the register of members of Karrie International are in, or who are located or residing in, jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of Karrie International Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Distribution, including obtaining any governmental, exchange control or other consents which may be required, or compliance with any other necessary formalities and payment of any issue, transfer or other taxes due in such jurisdiction.

THE DISTRIBUTION AND SPIN-OFF

Overseas Karrie International Shareholders should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequences under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdiction, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the receipt, acquisition, retention, disposal or otherwise with respect to the Shares, as the case may be. It is emphasised that none of Karrie International, our Company or any of the Relevant Persons accepts any responsibility in relation to the above.

Excluded Karrie International Shareholders are those Overseas Karrie International Shareholders with registered addresses in an Excluded Jurisdiction, and other Karrie International Shareholders or Beneficial Karrie International Shareholders who are otherwise known by Karrie International to be residents of, or located in, jurisdictions outside Hong Kong as at the Distribution Record Date, whom the Karrie International Board and our Board, based on enquiries made on their behalves and the legal advice provided by their legal advisors, consider it necessary or expedient to exclude from receiving our Shares pursuant to the Distribution on account of the legal restrictions under the applicable laws of the relevant jurisdictions where such Karrie International Shareholders or Beneficial Karrie International Shareholders are resident or located in and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions. The relevant Excluded Karrie International Shareholders will not receive any Shares.

As at the Latest Practicable Date, based on the information provided by Karrie International, there was one Karrie International Shareholder with registered addresses outside Hong Kong, namely in the PRC. Based on the legal opinions obtained by Karrie International, the Distribution to such single shareholder with registered address in the PRC (the “**PRC Shareholder**”) does not constitute a public offering in the PRC as defined by the applicable laws and regulations in the PRC, and therefore, is not subject to the relevant approval procedure in the PRC. Further, Karrie International is not prohibited from making the Distribution to the PRC Shareholders under the applicable PRC laws and regulations, provided that the subscription of or receiving the Shares by the PRC Shareholders is in compliance with the relevant applicable PRC laws and regulations.

Karrie International and our Company reserve the right, in its and our absolute discretion, to determine whether to allow the participation of any Karrie International Shareholders or Beneficial Karrie International Shareholders in the Distribution.

Information for Overseas Karrie International Shareholders

This listing document is for the exclusive use by Karrie International Shareholders solely for the purposes of assessing the Distribution and should not be used other than in connection with such purpose. This listing document does not constitute or form part of any offer or invitation to

THE DISTRIBUTION AND SPIN-OFF

sell or issue, or any solicitation of any offer to acquire, our Shares or to take up any entitlements to our Shares or any solicitation or act in furtherance to a trade in any jurisdiction in which such an offer or solicitation or act is unlawful.

Neither our Shares nor this listing document has been or will be registered under the securities laws of any jurisdiction. Accordingly, unless otherwise disclosed above, our Shares may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within any such jurisdiction, absent registration or qualification under the respective securities laws of such jurisdictions, or exemption from the registration or qualification requirements under applicable rules of such jurisdictions.

It is the responsibility of any person (including but not limited to any agent, custodian, nominee or trustee) outside Hong Kong wishing to receive or purchase, hold or dispose of, or deal in, our Shares or exercise any rights attaching to our Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including obtaining any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith.

Karrie International Shareholders should note that they will not be required to pay or provide any consideration to Karrie International or our Company for any Shares received pursuant to the Distribution. Receipt of our Shares by any person pursuant to the Distribution will be deemed to constitute a representation and warranty from such person to our Company that these local laws and requirements have been fully complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to any of the representations and warranties above. Such persons should consult their professional advisers if in doubt.

THE SPIN-OFF

Karrie International submitted a Spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules in relation to the Spin-off and, on 28 January 2022, the Stock Exchange confirmed that Karrie International may proceed with the Spin-off.

The Spin-off will be implemented in compliance with the Listing Rules, including Practice Note 15 to the Listing Rules. As the Spin-off will be implemented by way of the Distribution and there will be no dilution of the indirect attributable interest of the Qualifying Karrie International Shareholders in our Company, the Spin-off will not constitute a transaction for Karrie International under Chapter 14 of the Listing Rules. Accordingly, the approval of the Karrie International Shareholders will not be required for the Spin-off.

THE DISTRIBUTION AND SPIN-OFF

Other than to give effect to the Distribution, the Spin-off will not involve any offering of Shares by our Company for sale or subscription and no new proceeds will be raised by our Company.

REASONS FOR AND BENEFITS OF THE SPIN-OFF AND THE LISTING

Karrie International is a well-established company listed on the Main Board for over 25 years. Prior to the completion of the Spin-off, Karrie International is principally engaged in (i) the metal and plastic business; (ii) the electronic manufacturing business; and (iii) the real estate business.

The industrial businesses of Karrie International, comprising the (i) metal and plastic business and (ii) electronic manufacturing business, have been the core focus of Karrie International Group and have demonstrated an overall growing trend in terms of revenue over the years. The two business segments have together contributed to the majority of the total revenue of Karrie International, amounting to over 76.6% of the total revenue for the year ended 31 March 2022. Going forward, the directors of Karrie International intend to continue to strengthen its industrial businesses, by (i) enhancing its product integration capacities and improving its supply chain management, etc.; (ii) strengthening its talent training; and (iii) expanding its business scope and identifying new prospective customers. To continue the success of its industrial businesses, directors of Karrie International consider that it is Karrie International's strategy to concentrate resources to support the expansion and strengthening of these core business segments, while the Spin-off creates a separate fund raising platform for our Group to develop its real estate business in the PRC without having to compete for capital resources with other business segments of the Karrie International Group.

On the other hand, Karrie International formally set foot in the residential real estate business, being the predecessor of our Group's business, in around 2015. During the year, it developed an area of land located in Dongguan City, which later became Phase 3 of Castfast Villas. In light of the PRC government policy to develop the Greater Bay Area into a world-class cluster and the success of Phase 3 of Castfast Villas, our Directors consider that there will be growth potential in the property market in the Greater Bay Area going forward. As supported by the C&W Report, the Greater Bay Area has been a fast-growing region in the past years, and is expected to continue to enjoy economic growth in terms of both GDP and population. As a result, it is envisaged that the demand for residential properties in the area would rise steadily. In this connection, in light of our Group's gradually maturing real estate business and the government policy which aims to stimulate the development of the Greater Bay Area, our Directors consider that we would require dedicated management personnel and staff and financial resources to materialise our business strategies and expansion plan and seize the market growth, which our

THE DISTRIBUTION AND SPIN-OFF

Directors believe can be achieved through the Spin-off. For details of the business strategies of our Group, please refer to the section headed “Business — Our business strategies” in this listing document.

Taking into account the above, our Directors and the directors of Karrie International believe that the Spin-off is in the interests of our Group and the Karrie International Group and will position each of our Group and the Karrie International Group better for growth in their respective businesses and deliver clear benefits to both by the following:

- (a) Karrie International Group and our Group will operate in different business segments and intend to have different growth paths and different business strategies without being in competition against each other. The Spin-off will enable our Group to build its identity as a separately listed group, to have a more defined business focus, better strategic planning and efficient resources allocation;
- (b) both the Karrie international Group and our Group will benefit from the efficient decision-making process under separate management structures that geared towards their respective needs for seizing emerging business opportunities, especially with a proven and dedicated management team for our Group to focus on its development, which will improve its ability to attract and motivate talents;
- (c) the Spin-off will improve the operational and financial transparency of our Company, which would enable investors to better appraise our operation results and financial conditions on a standalone basis, which in turn may enhance the overall value;
- (d) by way of a distribution in specie, the existing shareholders of Karrie International will therefore continue to enjoy the benefits from the future development and growth of our Company; and
- (e) the Spin-off will enhance the brand value and market influence of our Company and promote its sustainable development. As a separately listed group, our Company will be in a better position to negotiate and solicit more businesses, and the shareholders of Karrie International will in turn be able to benefit from the growth of our Company through their shareholdings in our Company.