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KRP Development Holdings Limited

嘉創房地產控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2421)

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF DONGGUAN CITY JIAXUNTONG

**Independent Financial Adviser to the Independent Board Committee
and Independent Shareholders**



THE DISPOSAL

On 14 May 2024 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire issued equity interests of the Target Company at the Consideration, subject to the terms and conditions therein.

IMPLICATIONS UNDER THE LISTING RULES

As one or more the applicable percentage ratios in respect of the Disposal is more than 5% but all are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Disposal is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Purchaser is wholly-owned by Mr. Ho, who is a connected person of the Company by virtue of being the chairman of the Board, a non-executive Director and a Controlling Shareholder of the Company. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee to advise the Independent Shareholders in connection with the Disposal Agreement, and the transactions contemplated thereunder. Gransing Securities Co., Limited has been appointed as Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Disposal Agreement, and the transactions contemplated thereunder.

EGM

The Company will seek approval from the Independent Shareholders for the Disposal Agreement and the transactions contemplated thereunder at the EGM.

Mr. Ho, the chairman of the Board, a non-executive Director and a Controlling Shareholder, is considered to have material interest in the Disposal by virtue of his interests in the Purchaser. He, together with Mr. Ho Wai Hon, Brian (executive Director), have therefore abstained from voting on the relevant Board resolutions and, along with their associates (including Ms. Ho Po Chu and Mr. Ho Cheuk Ming), shall abstain from voting at the EGM in respect of the resolutions for approving the Disposal Agreement, and the transactions contemplated thereunder. As at the date of this announcement, according to the information of the Company, Mr. Ho, Mr. Ho Wai Hon, Brian, Ms. Ho Po Chu and Mr. Ho Cheuk Ming (including their personal interests, family interests and corporate/other interests) are interested in approximately 72.56%, 0.19%, 72.56% and 0.56% of the Shares in issue of the Company, respectively. Mr. Ho is the brother of Mr. Ho Cheuk Ming and the spouse of Ms. Ho Po Chu.

Save as disclosed above and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, no other Shareholder and/or associate thereof has a material interest in the Disposal Agreement, or the transactions contemplated thereunder and therefore, no other Shareholder and/or associate thereof is required to abstain from voting on the proposed resolutions to approve the aforementioned matters.

DESPATCH OF CIRCULAR

A circular containing, among others, (i) further details of the Disposal Agreement, and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee with its opinion and recommendation on the Disposal Agreement, and the transactions contemplated thereunder to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser with its advice on the Disposal Agreement and the transactions contemplated thereunder; and (iv) a notice of EGM, will be despatched to the Shareholders as soon as possible and within 15 business days after the publication of this announcement.

The Disposal is subject to a number of conditions, including approval from the Independent Shareholders, which may or may not be fulfilled. There is therefore no assurance that the Disposal will proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

THE DISPOSAL AGREEMENT

On 14 May 2024 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire issued equity interests of the Target Company at the Consideration, subject to the terms and conditions therein.

The principal terms of the Disposal Agreement are set out below:

Date

14 May 2024

Parties

- (i) the Vendor: KRP Development Company Limited (an indirect wholly-owned subsidiary of the Company)
- (ii) the Purchaser: Kar Info Property Limited (a company wholly-owned by Mr. Ho)

Subject matter

Pursuant to the Disposal Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire issued equity interests of the Target Company, subject to the terms and conditions therein.

Consideration

The Consideration for the entire issued equity interest of the Target Company is RMB19,800,000 (equivalent to approximately HK\$21,780,000). The Consideration will be settled in cash by the Purchaser within 90 days of the Closing Date.

The Consideration was agreed after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to, among other things, the net book value of the Target Company as at 30 April 2024 of approximately RMB19,183,000.

Having considered the above factors as well as the Directors' assessment of the business, operation and financial conditions of the Target Company, the Directors (excluding Mr. Ho and Mr. Ho Wai Hon, Brian, and the independent non-executive Directors who will provide their opinion after taking into account the advice of the Independent Financial Adviser, details of which will be included in the circular) are of the view that the Consideration is fair and reasonable, on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The obligations of each of the parties to effect the transactions contemplated under the Disposal Agreement at the Closing shall be subject to the fulfilment or waiver by the Purchaser (as the case may be) at or prior to Closing of the following Conditions:

- (a) the representations and warranties of the Vendor remaining true, complete and accurate in all material respects with no false or misleading statements and material omissions from the date of the Disposal Agreement until the Closing Date;
- (b) the Vendor having duly performed and complied with all undertakings under the Disposal Agreement with no breach of any of the provisions from the date of the Disposal Agreement until the Closing Date;
- (c) the transactions contemplated under the Disposal Agreement not being restricted, prohibited or cancelled by any PRC laws or any judgment, injunction, order or decree of any courts, arbitration or government bodies; and there exists no pending or potential litigation, arbitration, judgment, decree or injunction which may have a material adverse impact on the transactions as contemplated under the Disposal Agreement;

- (d) from the date of the Disposal Agreement until the Closing Date, there exists no events, conditions, changes or other situations or reasonably foreseeable events, conditions, changes or situations which may have a material adverse impact on the assets, financials, liabilities, technologies, profit forecast and normal operation of the Target Company;
- (e) the Purchaser has completed its financial and legal due diligence review of the Target Company, and is satisfied with the results thereof;
- (f) the shareholders of the Target Company have approved the Disposal and the board of directors of the Vendor has passed the resolutions to approve the Disposal;
- (g) the Independent Shareholders have passed the resolutions at the EGM for approving the Disposal Agreement and the transactions contemplated thereunder; and
- (h) the Target Company has completed the relevant registration and reporting procedures with the relevant PRC market regulation and commerce authorities in connection with the Disposal and the Purchaser has been duly registered as the shareholder of the entire issued equity interests of the Target Company and has been provided with relevant updated licenses, including the business operation license of the Target Company.

The Purchaser may waive in writing all the Conditions save as Conditions (c), (g) and (h). Upon the fulfilment of all the Conditions, the Vendor shall provide a confirmation in writing to the Purchaser and provide evidence of the same.

Closing

The Closing is scheduled to take place on the Closing Date, which is three business days after the Conditions have been fulfilled or waived (as the case may be) pursuant to the Disposal Agreement, or such other date as the Purchaser and the Vendor may agree in writing.

Following the Closing, the Purchaser will be the legal and beneficial owner of the entire issued equity interests of the Target Company.

FINANCIAL IMPACTS OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statement of the Group.

Based on the net carrying value of the net assets of the Target Company of approximately RMB19,183,000 as at 30 April 2024, it is expected that the Group will realize a possible gain on Disposal of approximately RMB617,000, being the difference between the amount of Consideration and the net book value of the Target Company as mentioned above and this figure is subject to final audit to be performed by the Company's auditors.

The expected proceeds to be received by the Company from the Disposal will be used for its working capital and general corporate purposes.

INFORMATION OF THE PARTIES INVOLVED IN THE DISPOSAL

The Group

The Group is principally engaged in development and sales of residential properties in Dongguan, Huizhou and Foshan.

KRP Development and the Vendor

The Vendor is a company incorporated in Hong Kong with limited liability which is an indirect wholly-owned subsidiary of the Company. The Vendor is an investment holding company.

The Purchaser

The Purchaser is a company incorporated in Hong Kong with limited liability which is wholly-owned by Mr. Ho. The Purchaser is an investment holding company with no operations.

Mr. Ho

Mr. Ho is the chairman of the Board and a non-executive Director of the Company. As at the date of this announcement, Mr. Ho is interested in approximately 72.56% of the Shares in issue of the Company and is a Controlling Shareholder of the Company.

The Target Company

The Target Company is a company incorporated in the PRC with limited liability which is wholly-owned by the Vendor and is principally engaged in real estate development business in relation to Phase 3 of Castfast Villas. The Target Company is the project company and is the holder and owns the legal title of Phase 3 of Castfast Villas.

Previously, the Target Company was a direct wholly-owned subsidiary of Kar Info Property, which was in turn wholly-owned by Mr. Ho. As part of the reorganisation of the Group in preparation for the listing of the Company on the Stock Exchange, on 3 March 2022, Kar Info Property transferred 100% equity interest in the Target Company, which held 26 unsold units of Phase 3 of Castfast Villas with a total GFA of 3,685 sq.m., to KRP Development and the Target Company became an indirect wholly-owned subsidiary of the Group.

As at the date of this announcement, all units of Phase 3 of Castfast Villas have been sold and there is no unsold unit in Phase 3 of Castfast Villas.

Set out below is the unaudited financial information of the Target Company for the two financial years ended 31 March 2023 and the six months ended 30 September 2023:

	For the six months ended 30 September 2023	For the year ended 31 March	
		2023	2022
		<i>RMB'000</i>	
Net assets	14,179	9,292	9,179
Profit/(Loss) before tax	(102)	10,157	52,278
Profit/(Loss) after tax	(102)	113	23,251

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Company serves as the project company for the development of Phase 3 of Castfast Villas. Since all units of Phase 3 of Castfast Villas have been sold, the Disposal could streamline the organization structure and thereby minimizing the cost of management of the Group. Furthermore, the Disposal allows the Group to strategically reallocate its resources and concentrate its efforts on developing Phase 4 and Phase 5 of Castfast Villas and the Foshan Project located at Hecheng Sub-district, Gaoming District, Foshan.

In view of the above, the Directors (excluding Mr. Ho and Mr. Ho Wai Hon, Brian, and the independent non-executive Directors who will provide their opinion after taking into account the advice of the Independent Financial Adviser, details of which will be included in the circular) are of the view that the terms of the Disposal were entered into on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more the applicable percentage ratios in respect of the Disposal is more than 5% but all are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Disposal is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Purchaser is wholly-owned by Mr. Ho, who is a connected person of the Company by virtue of being the chairman of the Board, a non-executive Director and a Controlling Shareholder of the Company. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee to advise the Independent Shareholders in connection with the Disposal Agreement, and the transactions contemplated thereunder. Gransing Securities Co., Limited has been appointed as Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Disposal Agreement, and the transactions contemplated thereunder.

EGM

The Company will seek approval from the Independent Shareholders for the Disposal Agreement and the transactions contemplated thereunder at the EGM.

Mr. Ho, the chairman of the Board, a non-executive Director and a Controlling Shareholder, is considered to have material interest in the Disposal by virtue of his interests in the Purchaser. He, together with Mr. Ho Wai Hon, Brian (executive Director), have therefore abstained from voting on the relevant Board resolutions and, along with their associates (including Ms. Ho Po Chu and Mr. Ho Cheuk Ming), shall abstain from voting at the EGM in respect of the resolutions for approving the Disposal Agreement, and the transactions contemplated thereunder. As at the date of this announcement, according to the information of the Company, Mr. Ho, Mr. Ho Wai Hon, Brian, Ms. Ho Po Chu and Mr. Ho Cheuk Ming (including their personal interests, family interests and corporate/other interests) are interested in approximately 72.56%, 0.19%, 72.56% and 0.56% of the Shares in issue of the Company, respectively. Mr. Ho is the brother of Mr. Ho Cheuk Ming and the spouse of Ms. Ho Po Chu.

Save as disclosed above and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, no other Shareholder and/or associate thereof has a material interest in the Disposal Agreement, or the transactions contemplated thereunder and therefore, no other Shareholder and/or associate thereof is required to abstain from voting on the proposed resolutions to approve the aforementioned matters.

DESPATCH OF CIRCULAR

A circular containing, among others, (i) further details of the Disposal Agreement, and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee with its opinion and recommendation on the Disposal Agreement, and the transactions contemplated thereunder to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser with its advice on the Disposal Agreement and the transactions contemplated thereunder; and (iv) a notice of EGM, will be despatched to the Shareholders as soon as possible and within 15 business days after the publication of this announcement.

The Disposal is subject to a number of conditions, including approval from the Independent Shareholders, which may or may not be fulfilled. There is therefore no assurance that the Disposal will proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors
“Closing”	the closing of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Closing Date”	the date that is three business days after the Conditions have been fulfilled or waived (as the case may be) pursuant to the Disposal Agreement, or such other date as the Purchaser and the Vendor may agree in writing

“Company”	KRP Development Holdings Limited (嘉創房地產控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2421)
“Conditions”	the conditions precedent to the Closing as stipulated under the Disposal Agreement
“Consideration”	the total consideration of the Disposal, which is RMB19,800,000 (equivalent to approximately HK\$21,780,000)
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules and, in the context of this announcement, refers to the controlling shareholder(s) of the Company
“Director(s)”	the Director(s) of the Company
“Disposal”	the disposal of the entire equity interests in the Target Company by the Vendor to the Purchaser pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase agreement dated 14 May 2024 entered into between the Vendor and the Purchaser in relation to the Disposal
“EGM”	an extraordinary general meeting of the Company to consider, and if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder by the Independent Shareholders
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the Disposal

“Independent Financial Adviser”	Gransing Securities Co., Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal
“Independent Shareholders”	the Shareholders, excluding those who are required to abstain from voting at the EGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ho”	Mr. Ho Cheuk Fai, the chairman of the Board, an non-executive Director and a Controlling Shareholder
“percentage ratio”	has the meaning ascribed to it under the Listing Rules
“Phase 3 of Castfast Villas”	phase 3 of our residential property located in Fenggang Town, Dongguan City, Guangdong Province
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“Purchaser” or “Kar Info Property”	Kar Info Property Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by Mr. Ho
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company” or “Dongguan City Jiaxuntong”	Dongguan City Jiaxuntong Computer Products Limited* (東莞市嘉訊通電腦產品有限公司), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company

“Vendor” or “KRP
Development”

KRP Development Company Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company

In this announcement, the English translation of an entity’s or a company’s name in Chinese which is marked with “” is for identification purpose only. If there is any inconsistency between the Chinese names of entities or companies established in the PRC and their English translations, the Chinese names shall prevail.*

In this announcement, the translation of RMB into HK\$ is based on the exchange rate of RMB1.0 to HK\$1.1. Such conversion shall not be construed as a representation that amounts in RMB were or may have been converted into HK\$ using such exchange rate or any other exchange rate or at all.

By Order of the Board
KRP Development Holdings Limited
Ho Wai Hon, Brian
Executive Director

Hong Kong, 14 May 2024

As at the date of this announcement, the executive Directors are Mr. Ho Man Chung, Mr. Ho Wai Hon, Brian, Ms. Yiu Yuet Fung and Mr. Zhu Nianhua; the non-executive Director is Mr. Ho Cheuk Fai; the independent non-executive Directors are Mr. Choi Wai Hin, Mr. Ho Lai Hong and Dr. Lo Yung Fong.