



## **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)**

*Executive Directors:*

Mr. Ho Man Chung (*Chief Executive Officer*)  
Mr. Ho Wai Hon, Brian  
Ms. Yiu Yuet Fung  
Mr. Zhu Nianhua

*Registered Office in the Cayman Islands:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Non-executive Director:*

Mr. Ho Cheuk Fai (*Chairman*)

*Principal place of business in Hong Kong:*

Block C, 9th Floor  
Southeast Industrial Building  
611–619 Castle Peak Road  
Tsuen Wan, New Territories  
Hong Kong

*Independent Non-executive Directors:*

Mr. Choi Wai Hin  
Mr. Ho Lai Hong  
Dr. Lo Yung Fong

5 June 2024

*To the Shareholders*

Dear Sirs or Madams,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS DISPOSAL OF DONGGUAN CITY JIAXUNTONG**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 14 May 2024 in relation to the Disposal.

The purpose of this circular is to provide you with, among other things, (i) further details of the Disposal Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent shareholders containing its recommendation in respect of the Disposal Agreement and the transactions contemplated thereunder; (iii) a letter from Granting Securities to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the Disposal Agreement and the transactions contemplated thereunder; and (iv) the notice of the EGM.

## **THE DISPOSAL AGREEMENT**

On 14 May 2024, 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 interest 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 interest 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.

Currently, the Target Company does not have any business or operations as all units of Phase 3 of Castfast Villas have been sold and delivered. As at 30 April 2024, based on unaudited financial information of the Target Company, the total assets of the Target Company was approximately RMB56.6 million which comprised of cash and cash equivalent of approximately RMB22.1 million and trade receivables of approximately RMB34.5 million, and the total liabilities of the Target Company was RMB37.5 million which mainly comprised of sales commission to real estate agents approximately RMB3.0 million and tax payable of approximately RMB34.1 million. Since all units of Phase 3 of Castfast Villas have been sold and the assets of the Target Company only comprised of cash and cash equivalent and trade receivables, no updated valuation of the assets of the Target Company has been conducted and the Directors consider that it is appropriate and more straight forward to determine the Consideration by reference to the net book value of the Target Company instead of any valuation of the Target Company.

The trade receivables of approximately RMB34.5 million as at 30 April 2024 were the receivables from the sales of Phase 3 of Castfast Villas in respect of 16 units due from five property buyers, among which approximately RMB2.7 million in respect of 3 units from 3 property buyers have already fallen due, and the remaining approximately RMB31.8 million in respect of 13 units from two property buyers will fall due in October 2024.

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 but including all the independent non-executive Directors) 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 interest 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.

As of the Latest Practicable Date, save for condition (e) which has been fulfilled, none of the Conditions have been fulfilled or waived.

## **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 interest 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, the Group expects to 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 Latest Practicable Date, 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 established in the PRC with limited liability on 7 September 2000 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. The Target Company was also engaged in sales of computer-related electronics devices and electronic components until May 2016. Since then, it had not operated any business other than as the project company of Phase 3 of Castfast Villas.

In September 2005, the Target Company entered into the relevant land grant contract with Dongguan City Land Management Bureau (東莞市土地管理局), pursuant to which the Target Company was granted the land use right of the project land for industrial use. In December 2014, application for change of land use to residential use was approved by Dongguan City National Land Resources Bureau. Construction of Phase 3 of Castfast Villas was commenced in November 2015 and was completed between August 2018 to January 2019 with 605 residential units. Pre-sale of Phase 3 of Castfast Villas was commenced in September 2017.

The Target Company was a direct wholly-owned subsidiary of Kar Info Property since May 2016, 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 at a consideration of RMB38 million, 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.

All units of Phase 3 of Castfast Villas have been sold in April 2024 and there is no unsold unit in Phase 3 of Castfast Villas. The aggregate selling price of the 26 units of Phase 3 of Castfast Villas that were sold since the Target Company became a subsidiary of the Group amounted to approximately RMB78.2 million. As at 30 April 2024, the outstanding receivables from the sale of Phase 3 of Castfast Villas were approximately RMB34.5 million.

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:

	<b>For the six months ended 30 September 2023</b>	<b>For the year ended 31 March</b>	
		<b>2023</b>	<b>2022</b>
		<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 promoting Phase 4 and Phase 5 of Castfast Villas and Louvre Mansion, and developing the Foshan Project located at Hecheng Sub-district, Gaoming District, Foshan.

Currently, we are focusing on implementing our sales and marketing strategies to sell the remaining units of our projects, including conducting market and competitors analysis, such as any changes in real estate policies and market demand in the Linshen area (臨深片區), and analysing the sales strategies and properties transactions of the surrounding property development projects. We are also formulating appropriate marketing plans to promote sales of these projects, such as their sales channels, pricing, target customers positioning, promotions and offering supporting facilities for the units. Foshan Project is currently in the project planning and design stage which we are preparing for the architectural construction design and drawings and liaising with the relevant government authorities.

It is expected that, if no disposal of the Target Company, an estimated annual budget of around RMB0.6 million is required to maintain the Target Company, including but not limited to ongoing expenses of salaries for minimal staff members and professional fees for audit and tax services to maintain compliance. Moreover, the Disposal could enable the Group to reallocate its resources and concentrate on conducting construction cost budgeting and monitoring for the Foshan Project and corporate income tax and land appreciation tax computation for local tax compliance for its existing projects, thereby enhancing the overall project efficiency in its existing initiatives.

In view of the above, the Directors (excluding Mr. Ho and Mr. Ho Wai Hon, Brian but including all the independent non-executive Directors) 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.

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. Granting Securities 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 Latest Practicable Date, 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 Latest Practicable Date, no other Shareholder and/or associate thereof has a material interest in the Disposal Agreement, or the transactions contemplated thereunder and this, no other Shareholder and/or associate thereof is required to abstain from voting on the proposed resolutions to approve the aforementioned matters.

### **BOOK CLOSURE FOR DETERMINING VOTING ENTITLEMENTS AT THE EGM**

For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Tuesday, 18 June 2024 to Monday, 24 June 2024 (both dates inclusive) during which period no transfer of Shares will be registered. In order to qualify for entitlement to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 17 June 2024.

### **RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in pages 29 to 34 to this circular.

### **RECOMMENDATIONS**


Your attention is drawn to the letter from the Independent Board Committee set out on pages 14 to 15 of this circular and the letter of advice from Granting Securities to the Independent Board Committee and the Independent Shareholders set out on pages 16 to 28 of this circular in

connection with the connected transactions contemplated under the Disposal Agreement, the transactions contemplated thereunder and the principal factors and reasons considered by Gransing Securities in arriving at such advice.

The Directors (excluding Mr. Ho and Mr. Ho Wai Hon, Brian but including the independent non-executive Directors whose views are set out in the section headed “Letter from Independent Board Committee” in this circular, after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote for the resolution approving the Agreement and the transactions contemplated thereunder.

**The Disposal is subject to certain Conditions 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.**

Yours faithfully,  
On behalf of the Board  
**KRP Development Holdings Limited**

  
**Ho Wai Hon, Brian**  
*Executive Director*