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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)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

	For the six months ended 30 September		
	2024	2023	Changes in %
Revenue (RMB'000)	104,254	102,224	2%
Profit for the period attributable to equity shareholders of the Company (RMB'000)	20,575	22,604	-9%
Basic earnings per share (RMB cents)	<u>4.1</u>	<u>4.5</u>	-9%

The board (the “**Board**”) of directors (the “**Directors**”) of KRP Development Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively “**we**” or the “**Group**”) for the six months ended 30 September 2024 (the “**Period**”), together with the comparative figures for the corresponding period of 2023, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

(Expressed in Renminbi (“RMB”))

		30 September 2024	31 March 2024
	Note	RMB’000	RMB’000
ASSETS			
Non-current assets			
Property, plant and equipment		1,102	1,509
Investment properties		125,444	118,916
Deferred tax assets		112,338	109,013
		<u>238,884</u>	<u>229,438</u>
Current assets			
Inventories and other contract costs	4	929,346	965,907
Prepayments, deposits and other receivables		18,051	17,275
Amount due from a related company		19,800	—
Cash and bank deposits		155,491	175,162
		<u>1,122,688</u>	<u>1,158,344</u>
Current liabilities			
Trade and other payables	5	49,580	56,966
Lease liabilities		59	103
Contract liabilities		10,922	20,583
Current tax payable		420,463	440,856
		<u>481,024</u>	<u>518,508</u>
Net current assets		<u>641,664</u>	<u>639,836</u>
Total assets less current liabilities		<u>880,548</u>	<u>869,274</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2024

(Expressed in RMB)

	30 September 2024	31 March 2024
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Provision for long service payable	17	17
Lease liabilities	—	9
Deferred tax liabilities	20,025	20,025
	<u>20,042</u>	<u>20,051</u>
NET ASSETS	<u>860,506</u>	<u>849,223</u>
CAPITAL AND RESERVES		
Share capital	4,394	4,394
Reserves	856,112	844,829
TOTAL EQUITY	<u>860,506</u>	<u>849,223</u>

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2024

(Expressed in RMB)

		For the six months ended 30 September	
		2024	2023
	Note	RMB'000	RMB'000
Revenue	6	104,254	102,224
Cost of revenue		<u>(40,613)</u>	<u>(32,546)</u>
Gross profit		63,641	69,678
Other net gains		2,084	1,140
Selling expenses		(9,669)	(7,278)
General and administrative expenses		<u>(14,909)</u>	<u>(14,038)</u>
Operating profit		<u>41,147</u>	<u>49,502</u>
Finance income		1,560	1,329
Finance costs		<u>(1)</u>	<u>(68)</u>
Finance income, net	7	<u>1,559</u>	<u>1,261</u>
Profit before taxation		42,706	50,763
Income tax charge	8	<u>(22,131)</u>	<u>(28,159)</u>
Profit for the period		<u>20,575</u>	<u>22,604</u>
Earnings per share — Basic and diluted (RMB Cents)	9	<u>4.1</u>	<u>4.5</u>

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2024

(Expressed in RMB)

	For the six months ended 30 September	
	2024	2023
Note	RMB'000	RMB'000
Profit for the period	20,575	22,604
Other comprehensive income for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statement of operations outside Chinese Mainland	67	2,827
Other comprehensive income for the period	67	2,827
Total comprehensive income for the period	20,642	25,431

NOTES:

1. BASIS OF PREPARATION

The interim financial results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 September 2024 but are extracted from that interim financial report.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 23 March 2023, after the successful spin-off of the Company from the previous ultimate holding company, Karrie International Holdings Limited, which is incorporated in Bermuda with its shares listed on the Stock Exchange.

The interim financial results have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2024, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2025. Details of any changes in accounting policy are set out in note 2.

The financial information relating to the financial year ended 31 March 2024 that is included in this announcement of the interim financial results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) to these interim financial results for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants*
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures — Supplier finance arrangements*

None of the developments have had a material effect on how the Group’s result and financial position for the current or prior periods have prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for current accounting period.

3 SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the interim financial results, are identified from the financial information provided regularly to the Group’s most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group’s various lines of business and geographical locations.

The Group manages its business as a whole as property development is the only reporting segment. The interim financial results are presented in a manner consistent with the way in which information is reported retaining to the Group’s senior executive management for the purpose of resource allocation and performance assessment.

A measurement of segment assets and liabilities is not provided regularly to the Group’s most senior executive management and accordingly, no segment assets or liabilities information is presented.

4 INVENTORIES AND OTHER CONTRACT COSTS

	30 September 2024 RMB'000	31 March 2024 RMB'000
Properties under development for sale	186,359	174,698
Completed properties held for sale	<u>742,208</u>	<u>790,038</u>
	928,567	964,736
Other contract costs	<u>779</u>	<u>1,171</u>
	<u>929,346</u>	<u>965,907</u>

During the six months ended 30 September 2024, the Group transferred the completed properties held for sale with a cost of RMB6,967,000 (six months ended 30 September 2023: RMB38,773,000) to investment properties.

5 TRADE AND OTHER PAYABLES

As at the end of the reporting period, the ageing analysis of trade payables, based on invoice date, is as follows:

	30 September 2024 RMB'000	31 March 2024 RMB'000
Within 6 months	—	13
Over 12 months	<u>—</u>	<u>41</u>
Total trade payables	—	54
Other payables and accruals	<u>49,580</u>	<u>56,912</u>
	<u>49,580</u>	<u>56,966</u>

6 REVENUE

	For the six months ended 30 September	
	2024	2023
	RMB'000	RMB'000
Recognised at a point in time under HKFRS 15:		
Sale of properties	<u>104,254</u>	<u>102,224</u>

The principal activities of the Group are property sales and development in Dongguan, Huizhou and Foshan in Chinese Mainland.

Revenue represents the income from sale of properties, net of sales related taxes and discounts allowed.

For the six months ended 30 September 2024 and 2023, the Group's customer base is diversified and does not have a customer with whom transactions have exceeded 10% of the Group's revenue.

7 FINANCE INCOME, NET

	For the six months ended 30 September	
	2024	2023
	RMB'000	RMB'000
Finance costs		
— Interest expense from financial liabilities measured at amortised cost	—	45
— Interest expense on lease liabilities	<u>1</u>	<u>23</u>
	1	68
Finance income		
— Interest income from financial assets measured at amortised cost	<u>(1,560)</u>	<u>(1,329)</u>
Finance income, net	<u>(1,559)</u>	<u>(1,261)</u>

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the consolidated statement of profit or loss represents:

	For the six months ended 30 September	
	2024	2023
	RMB'000	RMB'000
Current taxation		
Taxes in Chinese Mainland		
— provision for Enterprise Income Tax (“EIT”)	5,654	14,463
— provision for Land Appreciation Tax (“LAT”)	19,803	18,840
Deferred taxation		
Origination and reversal of temporary differences	(3,326)	(5,144)
Total income tax charge	<u>22,131</u>	<u>28,159</u>

(i) EIT

The provision for EIT is calculated at 25% based on the estimated taxable income for the subsidiaries operated in Chinese Mainland during the period.

(ii) LAT

LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including cost of land use rights, property development costs and borrowing costs.

(iii) Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2023: 16.5%) on the estimated assessable profit for the period for the subsidiaries incorporated in and operated in Hong Kong. No provision for Hong Kong Profits Tax for the period as the subsidiaries incorporated in and operated in Hong Kong did not have any assessable profits for the period.

(iv) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

As there were no potential dilutive ordinary shares during the six months ended 30 September 2024 and 2023, the amount of diluted earnings per share is equal to basic earnings per share.

	For the six months ended 30 September	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to equity shareholders of the Company	<u>20,575</u>	<u>22,604</u>
Weighted average number of ordinary shares in issue (<i>in thousand shares</i>)	<u>505,365</u>	<u>505,365</u>
Basic earnings per share (<i>RMB cents</i>)	<u>4.1</u>	<u>4.5</u>
Diluted earnings per share (<i>RMB cents</i>)	<u>4.1</u>	<u>4.5</u>

10 DIVIDENDS AND DISTRIBUTION

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended	
	30 September	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend proposed after the end of the reporting period of HK2.0 cents (equivalent to approximately RMB1.9 cents) per ordinary share (six months ended 30 September 2023: HK4.0 cents (equivalent to approximately RMB3.5 cents))	<u>9,359</u>	<u>18,892</u>

Dividend

The Board does not recommend the payment of any interim dividend for six months ended 30 September 2024 (for the six months ended 30 September 2023 interim dividend: Nil).

BUSINESS REVIEW

1. The revenue of the Group for the Period amounted to RMB104,254,000 (for the six months ended 30 September 2023: RMB102,224,000), which increased by approximately 2% as compared with the corresponding period last year. Profit attributable to the equity shareholders of the Company amounted to RMB20,575,000 (for the six months ended 30 September 2023: RMB22,604,000), which decreased by approximately 9% as compared with the corresponding period last year. Such decrease in profit was mainly attributable to the stagnant economy and continued sluggish demand from the real estate market. As a result, the Group has adjusted its selling price and increased its sales commissions accordingly to boost market demand.

During the six months ended 30 September 2024, the Group recorded a fair value loss of RMB439,000 upon the transfer of certain shops from inventories to investment properties. Such transfer was an adjustment based on the Group's asset allocation strategy, with an aim of enhancing the long-term yield potential of its asset portfolio.

2. As at 30 September 2024, the Group had land bank of approximately 236,756 square meter ("sq.m.") (as at 31 March 2024: 242,494 sq.m.), which mainly included the land parcel located at Hecheng Sub-district, Gaoming District, Foshan (the "**Foshan Project**"), Phases 4 and 5 of Castfast Villas, Dongguan, and Louvre Mansion, Huizhou in PRC. In addition, the Group also has a potential land reserve located in Yantian Village, Fenggang Town, Dongguan, the PRC, which is currently used as industrial land with a total land area of approximately 23,862 sq.m..
3. For the residential project of Phase 3 of Castfast Villas, Dongguan, a revenue of RMB36,570,000 was recorded during the Period. A total of 13 units were delivered (with a total area of around 1,976 sq.m. at an average selling price of approximately RMB20,200 per square meter) and revenue was recognised during the Period.
4. 24 units of a three-old renewal residential project, Phase 4 of Castfast Villas, Dongguan, were delivered and a revenue of RMB51,145,000 was recorded correspondingly, with a total area of approximately 2,551 sq.m. and an average selling price of approximately RMB21,900 per sq.m. during the Period.

5. 4 units of another three-old renewal residential project, Phase 5 of Castfast Villas, Dongguan, were delivered and recorded a revenue of RMB13,963,000 during the Period, with a total area of approximately 622 sq.m. and an average selling price of approximately RMB24,500 per sq.m..
6. Meanwhile, Louvre Mansion, Huizhou, has been completed, with a total saleable residential area of approximately 30,300 sq.m. and a total of 4 units were delivered during the Period. During the Period, a revenue of RMB2,576,000 was recorded, with a total area of approximately 358 sq.m. and an average selling price of approximately RMB7,800 per sq.m..
7. Active negotiations with relevant government departments in relation to the Foshan Project are still underway. The Group will closely monitor market dynamics and carefully evaluate market sentiments to select the most suitable development opportunities.
8. During the Period, with persisting economic uncertainties, continued market downturn and strong wait-and-see sentiment, sales of new commodity housing in China have been declining. Nevertheless, the Group addressed such challenges with an optimistic and prudent approach, and had benefited from its solid financial cash flows and consistently sound operating model, giving the Group a unique advantage in such difficult situation. The Group also strived to reduce its ineffective costs, lower its various operating and financial expenses, optimize its functions in each departments, strengthen its professional management, enhance its operation capabilities and streamline human resources allocation at the same time, in order to maintain efficient business operations. Although the real estate market slump affected the Group's profit, the turnover of the Group remained stable, successfully recording profit during the Period.
9. Currently, real estate regulatory policies continuously involve further implementation of easing measures like "city-specific policies". Central government also gradually introduced several economic incentives to facilitate the stable development of the real estate market. Such policies include "four removals" (removal of purchase restriction, sales restriction, price limit and classification of ordinary and non-ordinary housing) and "four reductions" (reduction of housing provident fund loan rates, loan-to-value ratio, existing loan rates and trade-in tax), providing positive support and injecting new energy to the sluggish property market. Gradual implementation of such policies could hopefully improve market sentiment, providing strong support for gradual recovery of the real estate market.

10. The Group has actively reduced its inventory and strengthened its cash flow, while also flexibly adjusted its marketing and pricing strategies based on changes in the market. While the trend of price for quantity developed in the real estate market, leveraging on its sound cash flow and high quality projects in competitive locations, on the premise of avoiding fierce price competition, the Group has maintained sound revenue with reasonable average sale prices and successfully has attracted customers with inelastic demand.
11. Furthermore, the Group completed the disposal of Dongguan City Jiaxuntong Computer Products Limited, its wholly-owned subsidiary, in August 2024, which further strengthened its cash flow. Against the backdrop of a difficult market, the Group has continued to adopt prudent financial policies, pursued continuous business development and stable improvement without incurring substantial financial indebtedness and maintained positive cash flow.
12. The Group has introduced sustainable development concept into its real estate projects. During the development of its projects, the Group has incorporated green building concepts into its designs and placed an emphasis on construction safety, developing comfortable homes and sustainable communities for customers and creating long-term values for stakeholders.

PROSPECTS

With global inflation slowing down and major economies in Europe and the United States gradually entering a cycle of interest rate reduction, interest rates are expected to decrease steadily, providing a more accommodative financing environment for the real estate market. Local governments have also introduced more flexibility to their real estate policies, which are expected to improve the development environment of the industry. Meanwhile, as the PRC government further strengthens its support for the macro-economy, with an aim of meeting the annual targets of economic growth, the relevant policies are expected to drive the stable recovery of the real estate market. Following the implementation of a series of policies that support the healthy development of the real estate industry, it is expected that market fluctuations will subside and the demand from residential property purchasers will slowly recover, contributing to the expected further improvement in the sales of the Group in the second half of the year.

The Group will continue to adopt region-specific marketing and pricing strategies for different projects, and proactively adopt strategies to reduce inventory, mitigate risks and strengthen cash flow “focusing on resources, improving operations, optimizing quality, and making a fresh start”, striving to achieve stable and sustainable development.

In order to reduce its reliance on a single revenue source, the Group will consider exploring a diverse business expansion strategy featuring development strategies cultivating “cultural, tourism, commercial and residential” elements with a vertically integrated operation model, which will create synergies, enhance the operational efficiency of the Group and achieve balanced asset allocation and revenue diversification.

CONCLUSION

“During the transition from warmth to cold, it is difficult to rest well”. As the real estate stabilization measures introduced by the PRC government gradually take effect, the real estate market is expected to stabilize. In view of the existing inelastic housing demand and house improvement demand from citizens, the real estate market is expected to undergo integration, consolidation and re-development. As such, the Group is optimistic with the long-term development of the real estate market. However, it will take time for the market to recover and its prospect might fluctuate. Current challenges have yet to diminish. The Group will take a cautious approach in improving its operational efficiency, promoting revenue diversification and maintaining sound financial management. With the real estate market at the edge of recovery, the Group will progress steadily to ensure long-term sound development.

FINANCIAL RESOURCES

Treasury policy

The Directors will continue to follow a prudent policy in managing the Group’s cash and cash equivalents and maintain a strong and healthy liquidity position to ensure that the Group is well-placed to capture future growth opportunities.

Net gearing ratio

As at 31 March 2024 and 30 September 2024, net gearing ratio (calculated based on total bank borrowing and lease liabilities less cash and bank deposits and pledged deposits divided by total equity at the end of the year multiplied by 100%) was not applicable as we were at a net cash position.

Resources available

Currently, the Group is confident that with the cash in hand and bank deposits of approximately RMB155,491,00, it is able to meet its current operational and capital expenditure requirements and to make strategic investments when opportunities arise.

Exchange rate exposure

The Group operates primarily in the PRC and most of its business transactions, assets and liabilities are denominated in RMB. Currency risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations that are denominated in a currency that is not the entity's functional currency. The management of the Group considers that the Group is mainly exposed to foreign currency risk with respect to United States dollars and Hong Kong dollars. The management of the Group will continue to monitor foreign exchange exposure and will take measures to minimize the currency translation risk. The conversion rate of RMB to foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

FINANCIAL GUARANTEES

The Group has provided guarantees to banks to secure the mortgage arrangements of certain property buyers. As at 30 September 2024, the outstanding guarantees to the banks amounted to RMB275,591,000 which will be released upon the completion of the transfer procedures with the property buyers in respect of the legal title of the relevant properties.

The Directors do not consider the Group will sustain a loss under these guarantees as the banks have the rights to sell the property, thereby recovering the outstanding loan balances from the sale proceeds if the property buyers are default in payment. The Group has not recognized any deferred income in respect of these guarantees as the fair value of such is considered to be insignificant.

CONTINGENT LIABILITIES

As at 30 September 2024, the Group had no significant contingent liabilities.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

The Company has no significant event after the end of the Period and up to the date of this announcement.

EMPLOYEE AND REMUNERATION POLICIES

The Group had approximately 70 employees at the end of the Period. The Group has entered into individual employment contracts with our employees to cover matters such as wages, salaries, benefits and terms for termination. We generally formulate our employees' remuneration package to include a salary and bonus. We determine salary levels based on each employee's qualification, position, seniority and periodic performance reviews. In our performance reviews, we mainly assess the value that the employee has created for our Group during the performance period and any other meaningful contributions that the employee has made to our Group. As required by the relevant applicable PRC regulations, we make contributions to mandatory social security funds for the benefit of our PRC employees that provide for pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds.

In addition, to cope with domestic development in Mainland China and the need for talent retention, the Group establishes a "Cooperative Home Scheme" to encourage and finance potential high calibre to settle down locally through purchasing flats as a means to retain talents who may otherwise be lost in the highly competitive labour market.

Performance based incentives

The Group adopted a performance-based bonus system and an objective performance assessment. Employees with outstanding performance will now receive more bonus than before.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the Period.

AUDIT COMMITTEE

In accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Company has established an audit committee currently made up of three independent non-executive Directors. The audit committee of the Board (the "**Audit Committee**") is responsible for dealing with matters relating to the audit area, which includes but is not limited to, reviewing and supervising the Company's financial reporting process and internal control, in order to protect the interests of the shareholders of the Company. The unaudited interim results for the Period of the Company now reported have been reviewed by the Audit Committee and the Audit Committee has no disagreement with the accounting treatment and policies adopted by the Company during the Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Period, the Company had applied the principles and complied with the applicable code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited.

COMPLIANCE WITH THE MODEL CODE

During the Period, the Company has adopted stringent procedures in governing the Directors' securities transactions in compliance with the requirements contained in the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix C3 to the Listing Rules. Upon due enquiry by the Company, all Directors had confirmed that, they had complied with the required standards as set out in the Model Code throughout the Period.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Company for the six months ended 30 September 2024 containing all the information required by the Listing Rules will be published on the website of the Stock Exchange in due course.

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

Hong Kong, 27 November 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 Directors are Mr. Ho Cheuk Fai and Ms. Ho Man Yiu; the independent non-executive Directors are Mr. Choi Wai Hin, Mr. Ho Lai Hong and Mr. Yam Chung Shing.