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Karrie International Holdings Limited

嘉利國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1050)

MAJOR AND CONNECTED TRANSACTION

ACQUISITION OF KAR INFO INTERNATIONAL AND ACQUISITION OF THE TARGET COMPANY

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



**中國通海企業融資
CHINA TONGHAI CAPITAL**

THE KAR INFO INTERNATIONAL ACQUISITION

The Board is pleased to announce that on 28 January 2022 (after trading hours), Benefit Master (an indirect wholly-owned subsidiary of the Company) and Mr. Ho (as vendor) entered into the Kar Info International Acquisition Agreement, pursuant to which Benefit Master has conditionally agreed to acquire, and Mr. Ho has conditionally agreed to sell, the entire issued share capital of Kar Info International at a nominal consideration of US\$100.

THE ACQUISITION

On the even day (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued equity interest of the Target Company at the Consideration, subject to the terms and conditions therein.

The Consideration for the entire issued equity interest of the Target Company is RMB38 million (equivalent to approximately HK\$45.6 million) or its Hong Kong dollar equivalent, which will be settled in cash by the Purchaser.

The Kar Info International Acquisition and the Acquisition are inter-conditional and they are part of the steps of the Proposed Spin-off. Upon the Kar Info International Acquisition Closing and the Acquisition Closing, Kar Info International will become a wholly-owned subsidiary of Benefit Master (an indirect wholly-owned subsidiary of the Company), and the Target Company (following completion of the Corporate Division) will become a wholly-owned subsidiary of the Purchaser. The financial results, assets and liabilities of the Target Operation will be consolidated into the accounts of the Company and the consolidated financial statements of the Company will be restated and prepared using the merger basis of accounting.

IMPLICATIONS UNDER THE LISTING RULES

As all the percentage ratios applicable to the Kar Info International Acquisition were less than 0.1%, the Kar Info International Acquisition constituted a de minimis transaction of the Company pursuant to Rule 14A.76 of the Listing Rules and was fully exempted from the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Kar Info International Acquisition Agreement and the Acquisition Agreement were entered into by the Group with, respectively, Mr. Ho and his associate on the same date and the transactions contemplated thereunder are inter-conditional with each other, the transactions contemplated under the Kar Info International Acquisition Agreement and the Acquisition Agreement shall be aggregated and be treated as if they were one transaction under Rules 14A.81 and 14A.82 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition (standalone or on an aggregated basis) is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Vendor is wholly-owned by Mr. Ho, who is a connected person of the Company by virtue of being an executive Director, the Chairman, and the Chief Executive Officer of the Company, and a Controlling Shareholder. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Given that the Kar Info International Acquisition is inter-conditional with the Acquisition, the Company will also seek Independent Shareholders' approval for the Kar Info International Acquisition.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee to advise the Independent Shareholders in connection with the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder. China Tonghai Capital 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 Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder.

SGM

The Company will seek approval from the Independent Shareholders for the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder at the SGM.

Mr. Ho, an executive Director, the Chairman and the Chief Executive Officer of the Company, and a Controlling Shareholder, is considered to have material interest in the Kar Info International Acquisition and the Acquisition by virtue of his interests in the Vendor, Kar Info International, and the Target Company. He, together with Mr. Ho Cheuk Ming (non-executive Director) and Mr. Ho Kai Man (non-executive Director), has therefore abstained from voting on the relevant Board resolutions and, along with his associates (including Mr. Ho Cheuk Ming, Mr. Ho Wai Hon Brian and Ms. Ho Po Chu), shall abstain from voting at the SGM in respect of the resolutions for approving the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder. As at the date of this announcement, Mr. Ho, Mr. Ho Cheuk Ming, Mr. Ho Wai Hon Brian and Ms. Ho Po Chu (including their personal interests, family interests and corporate/other interests) are interested in approximately 72.70%, 41.09%, 0.11% and 72.70% of the Shares in issue of the Company, respectively. Mr. Ho is the brother of Mr. Ho Cheuk Ming, the uncle of Mr. Ho Kai Man, the father of Mr. Ho Wai Hon Brian 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 Kar Info International Acquisition Agreement, the Acquisition Agreement, or the transactions contemplated thereunder and thus, 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 Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee with its opinion and recommendations on the Kar Info International Acquisition Agreement, the Acquisition 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 Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM, will be despatched to the Shareholders as soon as possible and within 15 business days after the publication of this announcement.

The Kar Info International Acquisition and the Acquisition are 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 Kar Info International Acquisition or the Acquisition will proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

THE KAR INFO INTERNATIONAL ACQUISITION

The Board is pleased to announce that on 28 January 2022, Benefit Master (an indirect wholly-owned subsidiary of the Company) and Mr. Ho (as vendor) entered into the Kar Info International Acquisition Agreement, pursuant to which Benefit Master has conditionally agreed to acquire, and Mr. Ho (as vendor) has conditionally agreed to sell, the entire issued share capital of Kar Info International at a nominal consideration of US\$100.

The consideration for the Kar Info International Acquisition was agreed after arm's length negotiations between the Benefit Master and Mr. Ho on normal commercial terms having considered that Kar Info International is an investment holding company with no operations and that the nominal consideration reflects the value of its entire issued share capital. The Directors (excluding Mr. Ho, Mr. Ho Cheuk Ming, Mr. Ho Kai Man and the independent non-executive Directors) are of the view that the consideration for the Kar Info International Acquisition is fair and reasonable, on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

The Kar Info International Acquisition was conducted for purpose of the corporate restructuring of the Group. Please refer to the section headed “Information of the Parties involved in the Acquisitions — The Target Operation” in this announcement for further details of Kar Info International in relation to the Property Development Project, and the section headed “Reasons for and Benefits of the Acquisitions” in this announcement for further details of the corporate restructuring.

Completion of the Kar Info International Acquisition is subject to the fulfilment or waiver (as the case may be) at or prior to Kar Info International Acquisition Closing of the following Kar Info International Acquisition Conditions:

- (a) the warranties remaining true and accurate and not misleading in any respect as at the date of the Kar Info International Acquisition Agreement as if repeated at completion;
- (b) the approval of the Independent Shareholders; and
- (c) the Acquisition Agreement having become unconditional in all respects (i.e. all the Acquisition Conditions, other than that regarding the completion of the Kar Info International Acquisition Agreement, having been satisfied).

If the Kar Info International Acquisition Conditions above are not fulfilled or waived (as the case may be) within four months of the date of the Kar Info International Acquisition Agreement (or any extended date as agreed by the parties in writing), the parties to the Kar Info International Acquisition Agreement shall not be bound to proceed with the Kar Info International Acquisition.

The Kar Info International Acquisition Closing

The Kar Info International Acquisition Closing is scheduled to take place on the Closing Date, which is three business days after the Kar Info International Acquisition Conditions have been fulfilled pursuant to the Kar Info International Acquisition Agreement, or such other date as Benefit Master and Mr. Ho may agree in writing.

Upon the Kar Info International Acquisition Closing, Kar Info International will become a wholly-owned subsidiary of Benefit Master (an indirect wholly-owned subsidiary of the Company).

Please also refer to the section headed “Financial Impacts of the Acquisitions on the Company” in this announcement for details of the financial effects of the Kar Info International Acquisition on the Company.

THE ACQUISITION AGREEMENT

On 28 January 2022 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued equity interest of the Target Company at the Consideration, subject to the terms and conditions therein.

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

Date

28 January 2022

Parties

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

Subject matter

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued equity interest of the Target Company (following completion of the Corporate Division), subject to the terms and conditions therein.

For the avoidance of doubt, the Purchaser is not purchasing any of the issued equity interest of the New Entity (following completion of the Corporate Division) under the Acquisition Agreement.

Pursuant to the Acquisition Agreement, it is agreed that all profits derived by the Target Company (assuming completion of the Corporate Division) before 30 September 2021 shall belong and be paid to the Vendor. For all profits derived by the Target Company (assuming completion of the Corporate Division) from 1 October 2021 onwards, they shall belong and be paid to the Purchaser.

Under the Acquisition Agreement, the Purchaser also agreed to assume the debt liabilities of the New Entity (following completion of the Corporate Division) owed to the Target Company (the “**Debt Liabilities**”) in the amount of approximately RMB276.3 million (equivalent to approximately HK\$331.6 million).

Prior to the Closing Date, the Target Company shall complete its distribution of profits to the Vendor (the “**Profits Distribution**”). For all profits of the Target Company derived after 1 October 2021, they shall belong to the Purchaser upon the Acquisition Closing.

All taxes arising from and/or relating to the Acquisition (including but not limited to any taxes arising from and/or relating to the Profits Distribution) shall be borne by the Vendor and the Purchaser equally.

Consideration

The Consideration for the entire issued equity interest of the Target Company is RMB38 million (equivalent to approximately HK\$45.6 million) or its Hong Kong dollar equivalent. The exchange rate between RMB and HK\$ shall be counted based on the middle rate of RMB (offshore RMB (CNH)) against HK\$ issued by The Hongkong and Shanghai Banking Corporation Limited on the respective dates of payment.

The Consideration will be settled in cash by the Purchaser within 30 days of the Closing Date. The payment of the Consideration will be funded by internal resources of the Group.

The Consideration was agreed after arm’s length negotiations between the Purchaser and the Vendor on normal commercial terms having taken into consideration various factors, including but not limited to the followings:

- (i) the Equity Valuation Report prepared by the Valuer, which has already taken into account the fair value of the property interests of the Target Company as at 30 September 2021 as per the Property Valuation Report and such value has been reflected in the Equity Valuation;
- (ii) the Debt Liabilities to be assumed by the Purchaser;
- (iii) a consideration discount of approximately 4.3% as agreed by the parties as a time value discount for the Unsold Units and after commercial negotiations between the parties; and
- (iv) the potential benefits to be derived from the Acquisition. Following the completion of the Corporate Division and the Acquisition, the Target Company will carry on the business of the Property Development Project, retaining all its related assets and liabilities. The Company is of the opinion that following the completion of the Acquisition, the Target Company would be able to contribute to the income and asset base of the Group, improve the management efficiency of the Group by consolidating its management over the various phases of Castfast Villas* (嘉輝豪庭) and broaden the revenue base of the Group. For further details of the benefits of the Acquisition, please refer to the section headed “Reasons for and Benefits of the Acquisitions” in this announcement.

Pursuant to the Equity Valuation Report prepared by the Valuer, the fair value of the entire equity interest of the Target Company (assuming completion of the Corporate Division) is approximately RMB316 million (equivalent to approximately HK\$379.2 million) as at 30 September 2021 based on the asset-based approach. Pursuant to the Property Valuation Report, the fair value of the property interests of the Target Company is approximately RMB126.2 million (equivalent to approximately HK\$151.4 million) as at 30 September 2021. In assessing the fair value of the entire equity interest in of the Target Company (assuming completion of the Corporate Division), the Equity Valuation Report has taken into account, among others, the fair value of the property interests of the Target Company as at 30 September 2021 (which is presented as “real estate inventory” in the Equity Valuation Report) as part of the current assets of the Target Company.

Consideration adjustment

As at 30 September 2021, there were 12 Unsold Units under the Property Development Project. In the case if (i) such Unsold Units are being sold by the Target Company to third parties during the period from 30 September 2021 (being the date of the valuation) to the Closing Date; and (ii) the selling price of such Unsold Units per sq. m. is lower than the average appraisal price of such Unsold Units (the “**Adjusted Price Residential Units**”), the Consideration shall be adjusted in the following manner:

- *Adjusted Consideration = Consideration minus R*, in which:
 - The price of any Adjusted Price Residential Units would be equal to:

The size of the property as stated on the relevant sales agreement (in sq. m.)*
(the average appraisal price – the actual selling price/sq. m.) (all prices exclusive of tax)
 - “R” equals to the aggregate sum of all Adjusted Price Residential Units

For the above purpose, “average appraisal price” refers to the average appraisal price of the 12 Unsold Units per sq. m. as indicated in the Property Valuation Report, being approximately RMB29,075 per sq. m. (exclusive of tax). The consideration adjustment is calculated from the perspective of each Unsold Unit sold.

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, Mr. Ho Cheuk Ming, Mr. Ho Kai Man and the independent non-executive Directors) are of the view that the Consideration (including its adjustment) 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 Acquisition Agreement at the Acquisition Closing shall be subject to the fulfilment or waiver (as the case may be) at or prior to Acquisition Closing of the following Acquisition Conditions:

- (a) the representations and warranties of the Vendor remaining true, complete and accurate with no false or misleading statements and material omissions from the date of the Acquisition Agreement until the Closing Date;
- (b) the Vendor having duly performed and complied with all agreements and undertakings under the Acquisition Agreement with no breach of any of the agreements from the date of the Acquisition Agreement until the Closing Date;
- (c) the transactions contemplated under the Acquisition Agreement not being prohibited 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 Acquisition Agreement;
- (d) from the date of the Acquisition Agreement until the Closing Date, there exists no events, conditions, changes or other situations or reasonably foreseeable event, conditions, changes or situations which may have an 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 Vendor and the Target Company having entered into the Corporate Division Agreement, the substance and form of which shall be to the satisfaction of the Purchaser and the Corporate Division Agreement shall remain valid and effective as at the Closing Date;
- (g) the Corporate Division has been formally completed in accordance with the applicable PRC laws, rules and regulations and the relevant registration procedures in connection with the Corporate Division (if any) have been completed;
- (h) the Vendor has obtained approval from its board of directors for approving the Acquisition Agreement and the transactions contemplated thereunder;

- (i) the Independent Shareholders have passed the resolutions at the SGM for approving the Acquisition Agreement and the transactions contemplated thereunder;
- (j) the Target Company has completed the relevant registration procedures with the relevant PRC authorities in connection with the Acquisition 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 licences, including the business operation licence, of the Target Company; and
- (k) the Kar Info International Acquisition Agreement having become unconditional in all respects, i.e. all Kar Info International Acquisition Conditions, other than that regarding the completion of the Acquisition Agreement, having been satisfied.

Upon the fulfilment or waiver (as the case may be) of all the Acquisition Conditions, the Vendor shall deliver a certificate to the Purchaser certifying the same, except for conditions (e) and (i). If the Acquisition Conditions above are not fulfilled or waived (as the case may be) within four months of the date of the Acquisition Agreement (or any extended date as agreed by the parties in writing), the Purchaser may terminate the Acquisition Agreement by giving written notice to the Vendor. Save for conditions (c), (f), (g), (i), (j) and (k), all other Acquisition Conditions are waivable by the Vendor or the Purchaser, as applicable.

As at the date of this announcement, save for conditions (f) and (g) above which have been fulfilled, none of the Acquisition Conditions have been fulfilled or waived.

The Acquisition Closing

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

Following the Acquisition Closing, the Purchaser will be the legal and beneficial owner of the entire issued equity interest of the Target Company (following completion of the Corporate Division).

The Target Company (following completion of the Corporate Division) will become a wholly-owned subsidiary of the Purchaser and the financial results, assets and liabilities of the Target Company will be consolidated into the accounts of the Company.

Post Acquisition Closing Undertakings

The parties to the Acquisition Agreement have agreed to the following post Acquisition Closing undertakings:

In the case if the Target Company (following completion of the Corporate Division) receives any refund of corporate income tax (“**CIT**”) from the relevant PRC tax authorities within six (6) months of the Closing Date and such refund amount exceeds the estimated CIT recoverable amount of RMB37.2 million (being the net of CIT payable of RMB54.8 million and deferred tax assets of RMB92.0 million of the Target Company (assuming completion of the Corporate Division) as at 30 September 2021), such excess amount shall be refunded and paid to the Vendor (or any other third party as designated by the Vendor) by the Target Company in an one-off manner. For the avoidance of doubt, the total tax refund to the Vendor shall not exceed RMB52 million (equivalent to approximately HK\$62.4 million), which was referred to as the estimated CIT refund that would be entitled by the New Entity based on its financial information.

In the case if the Target Company (following completion of the Corporate Division) needs to pay any land appreciation tax (“**LAT**”) to the relevant PRC tax authorities within six (6) months of the Closing Date and such LAT payment exceeds the provision amount for LAT (being approximately RMB363.9 million), such excess amount shall be refunded by the Vendor to the Target Company in an one-off manner.

FINANCIAL IMPACTS OF THE ACQUISITIONS ON THE COMPANY

Upon the closing of the Acquisitions, the Company will become the ultimate holding company of each of Kar Info International and the Target Company and the financial results, assets and liabilities of the Target Operation will be consolidated into the accounts of the Company.

As the Company and the Target Operation are ultimately controlled by Mr. Ho before and after the Acquisitions and that control is not transitory, there would be a continuation of the risks and benefits to Mr. Ho and therefore the Acquisitions should be regarded as a business combination of entities under common control. Kar Info International had been an indirect holding company of the Target Company (via the Vendor). During the cooperation period under the Joint Operation Agreement (as defined below), Kar Info International was entitled to share 50% of the revenue and expenses of the Property Development Project, except for the CIT, and both the Company (via Massive Era Limited) and Kar Info international were the beneficiaries of the Property Development Project during such period; after the expiry of the Joint Operation Agreement on 22 March 2021, Kar Info International was entitled to 100% interest of the Property Development Project as it was, at the time, an indirect holding company (via the Vendor) of the Target Company and the Target Company is the beneficiary of the Property Development Project. As at the date of this announcement,

the Target Company has completed the Corporate Division such that only the assets and liabilities in connection with the Property Development Project were retained by the Target Company. Accordingly, the consolidated financial statements of the Company will be restated and prepared using the merger basis of accounting as if the Target Operation had always been the subsidiaries of the Company since the date the Company and the Target Operation were under common control (which was before 1 April 2018). The financial information of the Target Operation has also been prepared to present the share of Kar Info International in the activities, assets and liabilities of the Property Development Project.

For further details of the Target Operation, the Property Development Project and the Joint Operation Agreement, please refer to the section headed “Information of the Parties involved in the Acquisitions — The Target Operation” in this announcement.

INFORMATION OF THE PARTIES INVOLVED IN THE ACQUISITIONS

Benefit Master and the Purchaser

Benefit Master and the Purchaser are companies incorporated in the BVI and in Hong Kong, respectively, with limited liability and are each an indirect wholly-owned subsidiary of the Company.

The Company is an investment holding company. The principal activities of the Company’s subsidiaries consist of engaging in metal and plastic business, electronic manufacturing services business, and real estate business.

Mr. Ho

Mr. Ho is an executive Director, the Chairman, and the Chief Executive Officer of the Company. As at the date of this announcement, Mr. Ho is interested in approximately 72.70% of the Shares in issue of the Company and is a Controlling Shareholder of the Company.

The Vendor

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

The Target Operation

Kar Info International

Kar Info International is a company incorporated in the BVI with limited liability which is wholly-owned by Mr. Ho. Kar Info International is an investment holding company with no operations.

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 property development and the real estate business.

The Target Company is the legal owner of the Project Land, on which the Property Development Project was developed; while Kar Info International is a party to the Joint Operation Agreement (as defined below), pursuant to which Kar Info International was entitled to share 50% of the profit before taxation of the Property Development Project. Please refer to the sub-section headed “The Property Development Project and the Joint Operation Agreement” below for further details of the relationship between the Target Company and Kar Info International in this regard.

The Property Development Project and the Joint Operation Agreement

The Target Company is the holder and owns the legal title of the Project Land. As announced by the Company on 1 August 2016, Massive Era Limited (an indirect wholly-owned subsidiary of the Company) has undertaken a joint operation with Kar Info International by way of a cooperation agreement (the “**Joint Operation Agreement**”) whereby Massive Era Limited agreed to participate in the Property Development Project by providing Kar Info International with an investment of HK\$140 million, in consideration of investment return calculated with reference to, amongst others, future profit arising from the sale of the residential units under the Property Development Project and Kar Info International and Massive Era Limited agreed to share the control over and the returns of the Property Development Project. Pursuant to the Joint Operation Agreement, Kar Info International was entitled to share 50% of the profit before taxation of the Property Development Project throughout the cooperation period (except for the LAT which would also be shared by the Company as stipulated in the Joint Operation Agreement).

The Joint Operation Agreement expired on 22 March 2021 in accordance with its terms. Upon expiry of the Joint Operation Agreement, all unsold residential units are to be retained by the Target Operation at cost; and Massive Era Limited and the Company (indirectly via Massive Era Limited) no longer share any interest in the Property Development Project. As more than 90% of the saleable area under the Property Development Project were sold during the cooperation period, Kar Info International has paid Massive Era Limited the return on the Property Development Project pursuant to the following formula in accordance with the Joint Operation Agreement upon its expiry:

- Return on the Property Development Project = Project return (i.e. 50% of the profit before taxation (LAT (*Note*) and CIT) and the land cost arising from the sales of properties developed under the Property Development Project during the cooperation period) – amount received by Massive Era Limited during the cooperation period + (Investment amount * (unsold saleable area of the Property Development Project/total saleable area of the Property Development Project))

Note: The Company borne its respective portion of LAT in accordance with the average selling price of the properties sold under the Property Development Project during the cooperation period as set out in the Joint Operation Agreement.

No further returns shall be paid by Kar Info International to Massive Era Limited following the sale of any unsold residential units upon the expiry of the Joint Operation Agreement.

As at 30 September 2021, the Property Development Project has been completed and there are 35 unsold residential units (comprising 23 Pre-sold Units and 12 Unsold Units), representing approximately 5.8% of the total number of residential units of the Project Development Project. The Target Operation continues to sell the remaining residential units in the ordinary course of its business. For further details of the Property Development Project, please refer to the Company's announcements dated 1 August 2016 and 4 October 2019 and the Company's circular dated 14 September 2016.

Other businesses including non-residential property rental business previously held by the Target Company are now being carried out by the New Entity following completion of the Corporate Division. Please refer to the sub-section headed "The Corporate Division" below for further details of the Corporate Division.

The Corporate Division

It is the intention of the Vendor and the Target Company that the Target Company shall undergo the Corporate Division. Following the Corporate Division, the Target Company would hold and own all residential units under the Property Development Project; and all other business, assets and liabilities unrelated to the Property Development Project (including the non-residential property rental business) would be held by the New Entity. No equity interest or registered capital of the New Entity shall form part of the interest in the Target Company which is to be acquired and sold under the Acquisition Agreement.

As at the date of this announcement, the Vendor and the Target Company has entered into the Corporate Division Agreement and the Corporate Division has been completed. The registered capital of the Target Company after Corporate Division would be changed from RMB51 million to RMB50 million.

Financial information of the Target Operation

Set out below is a summary of the unaudited combined financial information of the Target Operation for each of the years ended 31 March 2019, 2020 and 2021 and for the six months ended 30 September 2021:

<i>(RMB'000)</i>	2019	For the year ended		For the six
		31 March	2021	months ended
		2020		30 September
			2021	2021
Revenue	201,833	281,156	282,667	26,265
Profit before taxation	144,568	198,072	189,241	19,803
Profit after taxation	63,944	82,829	69,606	9,435

As at 30 September 2021, the net asset value of the Target Operation based on the latest combined financial information of the Target Operation was approximately RMB233.0 million (equivalent to approximately HK\$279.6 million).

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Directors considered the following reasons for the Acquisitions and believe that the Acquisitions, being part of the steps of the Proposed Spin-off, can in turn offer the following benefits to the Group:

- (a) currently, the Group is engaged in the residential real estate business in the Greater Bay Area under three main projects, namely, Phase 4 and 5 of Castfast Villas* (嘉輝豪庭) and Gong Guan Louvre Mansion* (羅浮公館). As the Target Company is the holder and owns the legal title of the Property Development Project and Kar Info International is a party to the Joint Operation Agreement, the Acquisitions would enable the Group to consolidate its management over the various phases of Castfast Villas* (嘉輝豪庭) to achieve operational and management efficiency;
- (b) the Company proposes to spin-off and separately list its residential real estate business on the Main Board of the Stock Exchange in accordance with Practice Note 15 of the Listing Rules through, among other steps, the injection of relevant Group subsidiaries (including the Target Operation upon completion of the Acquisitions) and assets into a newly established Cayman Islands-incorporated company (the “**Newco**” and together with its subsidiaries, the “**Newco Group**”) through a corporate reorganisation. The Acquisition and the Kar Info International Acquisition are, among others, the steps of such corporate reorganisation;
- (c) as part of the steps leading to the completion of the Proposed Spin-off, the Acquisitions would:
 - (i) create a more defined business focus for the Group following the completion of the Proposed Spin-off (the “**Remaining Group**”), which will focus on the metal and plastic business and electronic manufacturing services business and the Newco Group, which will focus on the real estate business, thereby separating the strategies for each of the Remaining Group and the Newco Group and enabling the management of the Remaining Group and the Newco Group to more efficiently allocate its resources on its business, respectively;
 - (ii) by separating the real estate and manufacturing businesses, enable investors to better analyse the operating performance of each of the Remaining Group and the Newco Group so that they can better analyse both as more tightly focused companies where risk issues are isolated, identified and understood; and
 - (iii) enable access by the Remaining Group and the Newco Group to separate fundraising platforms in the equity and debt capital markets, thereby increasing financing flexibility for both entities and enhance the transparency for financial institutions to extent credit or financing to the New Group by virtue of its separate listing status.

It is proposed that as part of the Proposed Spin-off, the shareholders of the Company will have an assured entitlement to the shares in the Newco (which will be focusing on the real estate business and each of Kar Info International and the Target Company (assuming completion of the Acquisitions) will form part of the Newco Group) by way of a distribution in specie of the shares in the Newco. The Company will issue further announcement(s) of the Proposed Spin-off as and when appropriate and in accordance with the relevant requirements under the Listing Rules. As the Acquisitions are not conditional upon the Proposed Spin-off, in the case if the Proposed Spin-off is not proceeded with by the Company for any reason, the Acquisitions would still be completed subject to the fulfilment or waiver (as the case may be) of the Kar Info International Acquisition Conditions and the Acquisition Conditions. As explained in paragraph (a) above, the Acquisitions are expected to enable the Group to consolidate its management over the various phases of Castfast Villas to achieve operational and management efficiency.

The Board (excluding Mr. Ho, Mr. Ho Cheuk Ming, Mr. Ho Kai Man and the independent non-executive Directors) considers that the terms of the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As all the percentage ratios applicable to the Kar Info International Acquisition Agreement were less than 0.1%, the Kar Info International Acquisition constituted a de minimis transaction pursuant to Rule 14A.76 of the Listing Rules and was fully exempted from the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Kar Info International Acquisition Agreement and the Acquisition Agreement were entered into by the Group with, respectively, Mr. Ho and his associate on the same date and the transactions contemplated thereunder are inter-conditional with each other, the transactions contemplated under the Kar Info International Acquisition Agreement and the Acquisition Agreement shall be aggregated and be treated as if they were one transaction under Rules 14A.81 and 14A.82 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition (standalone or on an aggregated basis) is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Vendor is wholly-owned by Mr. Ho, who is a connected person of the Company by virtue of being an executive Director, the Chairman and the Chief Executive Officer of the Company, and a Controlling Shareholder. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Given that the Kar Info International Acquisition is inter-conditional with the Acquisition, the Company will also seek Independent Shareholders' approval for the Kar Info International Acquisition.

The Company will seek approval from the Independent Shareholders for the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder at the SGM.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee to advise the Independent Shareholders in connection with the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder. China Tonghai Capital 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 Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder.

SGM

The SGM will be convened and held by the Company for the Independent Shareholders to consider and, if thought fit, approve the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder.

Mr. Ho, an executive Director, the Chairman and Chief Executive Officer of the Company, and a Controlling Shareholder, is considered to have material interest in the Kar Info International Acquisition and the Acquisition by virtue of his interests in the Vendor, Kar Info International, and the Target Company. He, together with Mr. Ho Cheuk Ming (non-executive Director) and Mr. Ho Kai Man (non-executive Director), has therefore abstained from voting on the relevant Board resolutions and, along with his associates (including Mr. Ho Cheuk Ming, Mr. Ho Wai Hon Brian and Ms. Ho Po Chu), shall abstain from voting at the SGM on the relevant resolutions for approving the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder. As at the date of this announcement, Mr. Ho, Mr. Ho Cheuk Ming, Mr. Ho Wai Hon Brian and Ms. Ho Po Chu (including their personal interests, family interests and corporate/other interests) are interested in approximately 72.70%, 41.09%, 0.11% and 72.70% of the Shares

in issue of the Company, respectively. Mr. Ho is the brother of Mr. Ho Cheuk Ming, the uncle of Mr. Ho Kai Man, the father of Mr. Ho Wai Hon Brian 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 Kar Info International Acquisition Agreement, the Acquisition Agreement, or the transactions contemplated thereunder and thus, 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 Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee with its opinion and recommendations on the Kar Info International Acquisition Agreement, the Acquisition 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 Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM, will be despatched to the Shareholders as soon as possible and within 15 business days after the publication of this announcement.

The Kar Info International Acquisition and the Acquisition are 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 Kar Info International Acquisition or the Acquisition 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:

“Acquisition”	the acquisition of the entire equity interest in the Target Company by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
“Acquisitions”	the Kar Info International Acquisition and the Acquisition

“Acquisition Agreement”	the conditional sale and purchase agreement dated 28 January 2022 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Acquisition Closing”	the closing of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Conditions”	the conditions precedent to the Acquisition Closing as stipulated under the Acquisition Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Benefit Master”	Benefit Master Limited, a company incorporated in the BVI, and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Closing Date”	the date that is three business days after the Acquisition Conditions have been fulfilled or waived (as the case may be) pursuant to the Acquisition Agreement, or such other date as the Purchaser and the Vendor may agree in writing
“Company”	Karrie International Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1050)
“Consideration”	the total consideration for the Acquisition, which is RMB38 million (equivalent to approximately HK\$45.6 million) or its HK\$ equivalent
“Controlling Shareholder(s)”	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
“Corporate Division”	the corporate division of the Target Company into two companies (i.e. the Target Company and the New Entity) established in the PRC with limited liability independent from each other pursuant to the terms and conditions of the Corporate Division Agreement

“Corporate Division Agreement”	the agreement entered into by the Vendor and the Target Company on 31 October 2021 for the purpose of effecting the Corporate Division under the relevant PRC laws, rules and regulations
“Director(s)”	the Director(s) of the Company
“Equity Valuation”	the appraisal of the fair value of the entire equity interest of the Target Company (assuming completion of the Corporate Division) as at 30 September 2021 based on the asset-based approach by the Valuer
“Equity Valuation Report”	the report on the Equity Valuation prepared by the Valuer
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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 Acquisitions
“Independent Financial Adviser”	China Tonghai Capital Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions
“Independent Shareholders”	the Shareholders, excluding those who are required to abstain from voting at the SGM
“Kar Info International Acquisition”	the acquisition of the entire issued share capital of Kar Info International by Benefit Master from Mr. Ho (as vendor) pursuant to the terms and conditions of the Kar Info International Acquisition Agreement
“Kar Info International Acquisition Agreement”	the conditional sale and purchase agreement dated 28 January 2022 entered into between Benefit Master and Mr. Ho (as vendor) in relation to the Kar Info International Acquisition

“Kar Info International Acquisition Closing”	the closing of the Kar Info International Acquisition in accordance with the terms and conditions of the Kar Info International Acquisition Agreement
“Kar Info International Acquisition Conditions”	the conditions precedent to the Kar Info International Acquisition Closing as stipulated under the Kar Info International Acquisition Agreement
“Kar Info International”	Kar Info International Property Limited, a company incorporated in the BVI with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ho”	Mr. Ho Cheuk Fai, an executive Director, the Chairman, and the Chief Executive Officer of the Company; and a Controlling Shareholder
“New Entity”	the new entity established as a result of the Corporate Division, which would be holding all other business, assets and liabilities unrelated to the Property Development Project following the Corporate Division
“percentage ratio”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“Pre-sold Units”	residential properties of the Property Development Project that were pre-sold but not yet delivered as at 30 September 2021
“Project Land”	an area of land situated in the lot of You Gan Pu Village, Fenggang Town, Dongguan City, Guangdong Province, the PRC with a total site area of approximately 32,799 sq. m. and on which the Property Development Project was developed
“Property Development Project”	Phase 3 of Castfast Villas* (嘉輝豪庭3期), a property development project located in Fenggang Town, Dongguan City, Guangdong Province, the PRC held by the Target Company

“Property Valuation Report”	the report on the appraisal of the fair value of the property interests of the Target Company as at 30 September 2021 prepared by the Valuer
“Proposed Spin-off”	the proposed spin-off of the Company to separately list its residential real estate business on the Main Board of the Stock Exchange in accordance with Practice Note 15 of the Listing Rules
“Purchaser”	KRP Development Company Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	a special general meeting to be held by the Company to consider, and if thought fit, approve the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder by the Independent Shareholders
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of the Company
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong
“Target Company”	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 indirect wholly-owned by Mr. Ho
“Target Operation”	refers to the operation of the Property Development Project attributable to Kar Info International
“Unsold Units”	unsold portions of the residential properties of the Property Development Project as at 30 September 2021
“US\$”	United States dollars, the lawful currency of the United States of America

“Valuer”	Cushman & Wakefield Limited, an independent valuer appointed by the Company to assess the fair value of the entire equity interest of the Target Company and the property interests of the Target Company
“Vendor”	Kar Info Property Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by Mr. Ho
“%”	per cent.

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 to HK\$1.2. 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 of
Karrie International Holdings Limited
Ho Cheuk Fai
Chairman and Executive Director

Hong Kong, 28 January 2022

As at the date of this announcement, the executive Directors are Mr. Ho Cheuk Fai, Ms. Chan Ming Mui, Silvia, Mr. Zhao Kai and Mr. Chan Raymond; the non-executive Directors are Mr. Ho Cheuk Ming and Mr. Ho Kai Man; the independent non-executive Directors are Mr. Fong Hoi Shing, Mr. Yam Chung Shing and Dr. Lau Kin Wah.