THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Karrie International Holdings Limited, you should at once hand this circular with the accompanying form or proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

Karrie International Holdings Limited
嘉 利 國 際 控 股 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 1050)

(1) MAJOR AND CONNECTED TRANSACTION — ACQUISITION OF KAR INFO INTERNATIONAL AND ACQUISITION OF THE TARGET COMPANY AND (2) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser
to the Independent Board Committee
and Independent Shareholders

中國通海企業融資
CHINA TONGHAI CAPITAL

Capitalised terms used in this cover page have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 7 to 26 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 27 to 28 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 29 to 64 of this circular.

A notice convening the SGM to be held at Function Room 2, Level 11, Nina Hotel Tsuen Wan West, 8 Yeung Uk Road, Tsuen Wan, Hong Kong on Monday, 21 February 2022 at 10:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the SGM or any adjourned meeting if you so wish.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

To safeguard the health and safety of the Shareholders and to prevent the spread of the COVID-19 pandemic, precautionary measures will be implemented at the SGM, including but not limited to:

- compulsory body temperature checks
- compulsory wearing of surgical face masks
- no refreshments or drinks will be served

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the SGM venue. The Company reminds Shareholders that they may appoint the Chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.

31 January 2022

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In this circular, the following terms and expressions shall have the following meanings unless the context otherwise requires:

"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 circular, 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
"Enlarged Group"	the Group as enlarged by the Acquisition after the Acquisition Closing
"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 dated 31 January 2022, the text of which is set out in Appendix VI to this circular
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region

"Independent Board Committee"	the independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the 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
"Investment Properties"	unsold portions of the commercial properties of the Property Development Project
"Kar Info International"	Kar Info International Property Limited, a company incorporated in the BVI with limited liability
"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
"Latest Practicable Date"	28 January 2022, being the latest practicable date prior to publication of this circular for ascertaining certain information contained in this circular

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules
"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 circular, 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 the Valuation Date
"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"	the Pre-sold Units, Unsold Units and the Investment Properties
"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"	the appraisal of the fair value of the property interests of the Target Company as at 30 September 2021 and 31 December 2021 by the Valuer
"Property Valuation Report"	the report on the Property Valuation prepared by the Valuer dated 31 January 2022, the text of which is set out in Appendix V to this circular
"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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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 indirectly 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 the Valuation Date
"US$"	United States dollars, the lawful currency of the United States of America
"Valuation Date"	30 September 2021
"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 circular, 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 circular, 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.

Where the context so permits or requires, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.

Karrie International Holdings Limited
嘉利國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1050)

Executive Directors:
Mr. Ho Cheuk Fai *(Chairman & Chief Executive Officer)*
Ms. Chan Ming Mui, Silvia
Mr. Zhao Kai
Mr. Chan Raymond

Non-executive Directors:
Mr. Ho Cheuk Ming *(Deputy Chairman)*
Mr. Ho Kai Man

Independent non-executive Directors:
Mr. Fong Hoi Shing
Mr. Yam Chung Shing
Dr. Lau Kin Wah

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business in Hong Kong:
9th Floor
Southeast Industrial Building
611-619 Castle Peak Road
Tsuen Wan
New Territories
Hong Kong

31 January 2022

To the Shareholders,

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF KAR INFO INTERNATIONAL AND ACQUISITION OF THE TARGET COMPANY

INTRODUCTION

Reference is made to the announcement of the Company dated 28 January 2022 wherein the Company announced that on 28 January 2022, the Purchaser, being an indirectly wholly-owned subsidiary of the Company, and the Vendor have entered into:

(i) the Kar Info International Acquisition Agreement, pursuant to which Benefit Master conditionally agreed to acquire, and Mr. Ho conditionally agreed to sell, the entire issued share capital of Kar Info International at a nominal consideration of US$100; and

(ii) the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued share capital of the Target Company, subject to the terms and conditions therein, at the Consideration of 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, 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.

The purpose of this circular is to provide you with, among other things, (i) further details of the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder; (ii) the financial information of the Group; (iii) the unaudited pro forma financial information of the Enlarged Group; (iv) the recommendation of the Independent Board Committee; (v) the advice of the Independent Financial Adviser; (vi) the notice of the SGM; and (vii) such other information as required under the Listing Rules.

THE KAR INFO INTERNATIONAL ACQUISITION

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 conditionally agreed to acquire, and Mr. Ho 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 circular 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 circular 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.

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

THE ACQUISITION AGREEMENT

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 share capital of the Target Company (following the 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 share capital of the New Entity (following the 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 circular.

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.

Further details of the Property Valuation and the Equity Valuation are set out in the section headed "Valuation" below and in the Property Valuation Report and the Equity Valuation Report in Appendix V and Appendix VI to this circular, respectively.

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 share capital 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 Latest Practicable Date, 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 share capital 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 the 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.

VALUATION

Principal assumptions of the Equity Valuation

According to the Equity Valuation Report, 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.

The Equity Valuation was prepared based on the following principal assumptions:

(a) the information provided to the Valuer by the Company and/or its management has been prepared on a reasonable basis after its/their due and careful consideration;

(b) there will be no major change in the current taxation laws in the localities in which the Target Company operates or intends to operate, the rates of tax payable shall remain unchanged, and all applicable laws and regulations will be complied with;

(c) there will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Company;

(d) the core business operation of the Target Company will not differ materially from that at present or expected; and

(e) the information regarding the Target Company provided to the Valuer by the Company and/or its management is true and accurate.

Details of the Equity Valuation, including the assumptions used, are included in the Equity Valuation Report in Appendix VI to this circular.

Principal assumptions of the Property Valuation

According 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 and approximately RMB98.9 million (equivalent to approximately HK$118.7 million) as at 31 December 2021. The scope of the property valuation as at 30 September 2021 comprised 35 residential units. As nine residential units were officially handed over to the purchasers during the months from October to December 2021 and only 26 residential units were valued as at 31 December 2021, the valuation as at 31 December 2021 was lower than that of 30 September 2021.

The Property Valuation was prepared based on the following principal assumptions:

(a) transferable land use rights in respect of the Property Development Project for its specific term at nominal annual land use fees have been granted and any premium payable has already been fully paid;

(b) the owner of the Property Development Project has enforceable title to it and free and uninterrupted rights to use, occupy or assign the same for the whole of the unexpired terms as granted; and

(c) the Property Development Project is free from encumbrances, restrictions and outgoings of an onerous nature which would affect its value.

Details of the Property Valuation, including the assumptions used, are included in the Property Valuation Report in Appendix V to this circular.

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 Latest Practicable Date, 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 to Massive Era Limited (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 Latest Practicable Date, 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 the 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 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 as extracted from the accountants' report on the Target Operation as set out in Appendix II to this circular:

(RMB'000)	**For the year ended 31 March**			**For the six months ended 30 September**
	2019	**2020**	**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 as extracted from the accountants' report on the Target Operation as set out in Appendix II to this circular was approximately RMB233.0 million (equivalent to approximately HK$279.6 million).

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, 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 Latest Practicable Date, 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 circular.

The unaudited pro forma financial information on the Enlarged Group ("**Unaudited Pro Forma Financial Information**") is set out in Appendix IV to this circular for illustrative purposes. The Unaudited Pro Forma Financial Information was prepared based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group as if the Acquisitions had been completed on 30 September 2021.

The following table sets forth the significant financial effect of the Acquisitions on the Enlarged Group, as identified in the Unaudited Pro Forma Financial Information, assuming that the Closing had taken place on 30 September 2021, as compared to the financial position of the Group as at 30 September 2021:

	As at 30 September 2021	**Pro forma adjustments**	**Pro forma Enlarged Group**	**Change**
	HK$'000	*HK$'000*	*HK$'000*	*%*
Net current assets	1,377,547	-218,453	1,159,094	-15.9
Total assets	4,454,837	+390,181	4,845,018	+8.8
Total liabilities	2,884,043	+498,277	3,382,320	+17.3

Assets and liabilities

Based on the Unaudited Pro Forma Financial Information, the unaudited pro forma consolidated total assets of the Enlarged Group as at 30 September 2021 would increase by approximately 8.8% to approximately HK$4,845 million, and the unaudited pro forma consolidated total liabilities of the Enlarged Group as at 30 September 2021 would increase by approximately 17.3% to approximately HK$3,382 million, after the Acquisitions, assuming that the Acquisition Closing had taken place on 30 September 2021.

The net assets, the total assets, and the total liabilities of the Enlarged Group which are referred to in this subsection were extracted from the Unaudited Pro Forma Financial Information, which was based on, among other things, a Consideration of approximately RMB38 million (equivalent to approximately HK$45.6 million) and the assumption that the completion of the Acquisitions had occurred on 30 September 2021. As the actual amounts of the assets and liabilities of the Target Company will be different from the amounts used in the Unaudited Pro Forma Financial Information, the abovementioned figures as at the date of Acquisition Closing may also be different from the corresponding amounts presented in the Unaudited Pro Forma Financial Information.

Earnings

Based on the accountants' report on the Target Operation as set out in Appendix II to this circular, it is expected that the earnings of the Enlarged Group will increase as a result of the Acquisitions. After considering the factors set out in the section headed "Reasons for and benefits of the Acquisitions" of the Letter of the Board, the Directors expect that the Acquisitions could produce a positive impact on the earnings of the Group in the near future.

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 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 whose 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 Newco 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 circular, 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.

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 Latest Practicable Date, 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. For further details regarding their shareholdings, please refer to Appendix VII to this circular.

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 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.

RECOMMENDATION

The Directors (excluding Mr. Ho but including the independent non-executive Directors) consider 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. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions approving the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder at the SGM.

Your attention is drawn to the advice of the Independent Board Committee set out in its letter on pages 27 to 28 of this circular and the letter of advice from the Independent Financial Adviser to 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, and the principal factors and reasons considered by them in arriving at such advice set out on pages 29 to 64 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, 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; and the Acquisitions are in the ordinary and usual course of business of the Company. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions approving the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Shareholders and other investors should note that completion of the Kar Info International Acquisition Agreement and the Acquisition Agreement are subject to the fulfilment or waiver (as the case may be) of various conditions precedent and therefore there is no assurance that the Kar Info International Acquisition or the Acquisition will be implemented as contemplated or at all. Shareholders and other investors are advised to exercise caution when dealing in the securities of the Company.

Yours faithfully,
For and on behalf of the Board of
Karrie International Holdings Limited
Ho Cheuk Fai
Chairman and Executive Director

Hong Kong, 31 January 2022

As at the date of this circular, 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.

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular:

Karrie International Holdings Limited
嘉利國際控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1050)

31 January 2022

To the Independent Shareholders,

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF KAR INFO INTERNATIONAL AND
ACQUISITION OF THE TARGET COMPANY

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder, details of which are set out in the Letter from the Board in the circular dated 31 January 2022 to the Shareholders (the "**Circular**"). Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in the letter.

For the purposes of the Listing Rules, we have been appointed as the Independent Board Committee to consider the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the Kar Info International Acquisition and the Acquisition. We are required to recommend whether or not the Independent Shareholders should vote for the resolution(s) to be proposed at the SGM to approve the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder.

The Independent Financial Adviser, namely China Tonghai Capital Limited, has been appointed with the Independent Board Committee's approval to advise the Independent Board Committee and the Independent Shareholders in relation to the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder. We wish to draw your attention to the Letter from the Independent Financial Adviser which contains its advice to us in such relation. We also draw your attention to the Letter from the Board.

Having taken into account the advice of the Independent Financial Adviser, we are of the view that 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; and the Acquisitions are in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve, among other things, the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the Independent Board Committee
Karrie International Holdings Limited
Mr. Fong Hoi Shing **Mr. Yam Chung Shing** **Dr. Lau Kin Wah**
Independent non-executive Directors

Set out below is the text of a letter received from China Tonghai Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Kar Info International Acquisition Agreement and the Acquisition Agreement for the purpose of inclusion in this circular.

中國通海企業融資
CHINA TONGHAI CAPITAL

18/F–19/F, China Building
29 Queen's Road Central
Hong Kong

31 January 2022

To: The Independent Board Committee and the Independent Shareholders of Karrie International Holdings Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF KAR INFO INTERNATIONAL AND ACQUISITION OF THE TARGET COMPANY AND ACQUISITION AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser ("**Independent Financial Adviser**") to advise the Independent Board Committee and the Independent Shareholders in respect of the Kar Info International Acquisition Agreement and the Acquisition Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 31 January 2022 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

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. 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.

As all the applicable percentage ratios applicable to the Kar Info International Acquisition were less than 0.1%, the Kar Info International Acquisition Agreement 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 Kar Info International Acquisition Agreement and the Acquisition Agreement in aggregate are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. In addition, as the Vendor is wholly-owned by Mr. Ho Cheuk Fai, a controlling Shareholder and executive Director (Chairman of the Board and the Chief Executive Officer) of the Company, holding approximately 72.7% of the issued share capital of the Company as at the Latest Practicable Date, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

As such, Mr. Ho Cheuk Fai, Mr. Ho Cheuk Ming (a non-executive Director and the younger brother of Mr. Ho Cheuk Fai), and Mr. Ho Kai Man (a non-executive Director and the nephew of Mr. Ho Cheuk Fai) have abstained from voting in the board resolution of the Kar Info International Acquisition Agreement and the Acquisition Agreement, and Mr. Ho Cheuk Fai and his associates shall abstain from voting for the resolution approving the Kar Info International Acquisition Agreement and the Acquisition Agreement and the transaction contemplated thereunder at the SGM due to their interests in the transaction.

Save and except for Mr. Ho Cheuk Fai, Mr. Ho Cheuk Ming and Mr. Ho Kai Man, none of the Directors had any material interest in the transaction contemplated under the Kar Info International Acquisition Agreement and the Acquisition Agreement, therefore they are not required under the Listing Rules to abstain from voting on the Board resolution approving Kar Info International Acquisition Agreement and the Acquisition Agreement and the transaction contemplated thereunder. Other than the above, to the best of the Directors' knowledge, information and belief, no other Shareholders, as at the Latest Practicable Date, have any material interest in the above transaction and shall abstain from voting at the SGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Fong Hoi Shing, Mr. Yam Chung Shing and Dr. Lau Kin Wah, being all the independent non-executive Directors, has been established by the Company to advise and make recommendations to the Independent Shareholders in respect of the Kar Info International Acquisition Agreement and the Acquisition Agreement. Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee in this respect.

Our role as the Independent Financial Adviser is to advise the Independent Board Committee and the Independent Shareholders as to: (i) whether the terms of the Kar Info International Acquisition Agreement and the Acquisition Agreement are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole; and (ii) how the Independent Shareholders should vote on the relevant resolution in relation to the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder at the SGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we do not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser in relation to the Kar Info International Acquisition Agreement and the Acquisition Agreement, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things, the Kar Info International Acquisition Agreement and the Acquisition Agreement, the Valuation Report, the Company's annual report for the financial year ended 31 March 2021 (the "**2020/2021 Annual Report**") and other information set out in the Circular. We have also made an inspection of the Property Development Project, and have discussed the valuation methodologies, basis and assumptions for the valuation of the equity interest of the Target Company and the Property with the Valuer.

We have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Company (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information have been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not, carried out any independent verification of the information provided by the Management, nor have conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors have collectively and individually accepted full responsibility, including particulars given in compliance with the Listing Rules, for the accuracy of the information contained in the Circular and have confirmed, after having made all reasonable enquires, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other matters of facts the omission of which would make any statement herein or the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Kar Info International Acquisition Agreement and the Acquisition Agreement, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Kar Info International Acquisition Agreement and the Acquisition Agreement and the transaction contemplated thereunder, we have taken into consideration the following principal factors and reasons:

Information of the Group

The Group is principally engaged in (i) provision of mechanical engineering solutions, manufacturing and sales of metal and plastic parts, including moulds and the relevant plastic and metal parts products for information and communication technology industry; (ii) manufacturing and sales of magnetic tape data storage, point-of-sale system, and other computer peripherals; and (iii) urban renewal, residential real estate project investment and development.

Set out below are the audited consolidated financial results of the Group for the two financial years ended 31 March 2021 as extracted from the 2020/2021 Annual Report:

Table 1: Highlights of the financial results of the Group

	For the year ended 31 March 2021 *(HK$ million)*	**For the year ended 31 March 2020** *(HK$ million)*
Revenue	**3,193**	**2,902**
Metal and plastic business	*1,895*	*1,632*
Electronic manufacturing services business	*898*	*998*
Real estate business	*399*	*272*
Profit for the year	**365**	**250**

Source: 2020/2021 Annual Report

As stated in the 2020/2021 Annual Report, the (i) metal and plastic business of the Group mainly focus in providing mechanical engineering solutions, manufacturing and sales of metal and plastic parts, including moulds and the relevant plastic and metal parts products for information and communication technology industry; (ii) electronic manufacturing services business mainly focus manufacturing and sales of magnetic tape data storage, point-of-sale system, and other computer peripherals; (iii) real estate business mainly focus in urban renewal, residential real estate project investment and development.

During the financial year ended 31 March 2021, the Group recorded an increase in both revenue and profit. The revenue of the Group increased from approximately HK$2.90 billion for the financial year ended 31 March 2020 to approximately HK$3.19 billion for the financial year ended 31 March 2021, representing an increase of approximately 10%. The real estate business contributed approximately 9.4% and 12.5% of the total revenue of the Group for the years ended 31 March 2020 and 2021, respectively.

The profit of the Group also increased from approximately HK$250 million for the financial year ended 31 March 2020 to approximately HK$365 million for the financial year ended 31 March 2021, representing an increase of approximately 46%.

Set out below are highlights of the asset breakdown of the Group as at 31 March 2021, which are extracted from the 2020/2021 Annual Report:

Table 2: Highlights of the financial results of the Group

	As at 31 March 2021 *(HK$ million)*
Current assets	2,750
Non-current assets	901
Current liabilities	1,588
Non-current liabilities	632
Total equity	1,431

Source: 2020/2021 Annual Report

As at 31 March 2021, the Group held approximately HK$519 million of property, plant and equipment and approximately HK$1,065 million of property development and contract costs. As stated in the 2020/2021 Annual Report, the Company completed Phase 3 of Castfast Villas and will continue to release new units for sale for Phase 4 and Phase 5 of Castfast Villas in 2021 and 2022 and the sales and average selling price is expected to increase under the strong demand. As a participant of the urban renewal projects for cities in the Greater Bay Area, the Company will continue to conduct initial procedures for the change of land use of a land parcel in Yan Tien and proactively identify quality land parcel to replenish the land reserves.

Information of the Target Group

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, pursuant to which Kar Info International was entitled to share 50% of the profit before taxation of the Property Development Project.

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 will 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) will 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 Latest Practicable Date, 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 audited 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:

Table 3: Highlights of the financial results of the Target Operation

	For the year ended 31 March			For the six months ended 30 September
(RMB'000)	**2019**	**2020**	**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 audited combined financial information of the Target Operation was approximately RMB233.0 million (equivalent to approximately HK$279.6 million).

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.

OVERVIEW OF THE LAND AND THE PROPERTY DEVELOPMENT PROJECT

The Land is located in You Gan Pu village, Fenggang Town, Dongguan City, Guangdong Province in the PRC. Fenggang Town is located in the southeast of Dongguan City, bordering Shenzhen City to the east, south and west, which is approximately 35 kilometers from Futian central business district in Shenzhen City. The Shenzhen-Meilin-Guanlan Expressway and the Jihe Expressway cross Fenggang Town and the Dongshen highway runs through Fenggang Town into Shenzhen City.

Set out in the table below is a summary showing the resident population and urbanisation rate of the Guangdong Province and Dongguan City:

Table 4: Guangdong Province and Dongguan City resident population

Year	2016	2017	2018	2019	2020
Guangdong Province resident population(1) *(million)*	119.1	121.4	123.5	124.9	126.2
Guangdong Province urbanisation rate *(%)*	70.2%	70.7%	71.8%	72.7%	74.2%
Dongguan City resident population(1) *(million)*	10.2	10.4	10.4	10.5	10.5
Dongguan City urbanisation rate *(%)*	89.3%	89.4%	89.9%	90.3%	92.2%

Source: National Bureau of Statistics of China and Guangdong Statistical Yearbook 2021

Notes:

(1) The Guangdong Province and Dongguan City resident population refer to all residents living in the Guangdong Province and Dongguan City respectively.

As shown in the table above, the population and the urbanisation rates of the Guangdong Province and Dongguan City have shown an increasing trend during the last five years, which generally indicate an increasing demand for properties. This is generally positive for the property market in Dongguan City and within the Guangdong Province as it caters for the expected continuing increase in population and the rapid rate of urbanisation. In light of the above, we consider that the Project Company is able to benefit from the increasing demand for properties and the general positive impact on the property market due to the expected growing population and urbanisation rate of the Guangdong Province and in Dongguan City.

Set out in the table below are some general economic indicators of the PRC as provided by the National Bureau of Statistics of China:

Table 5: PRC gross domestic product ("GDP") and GDP growth

Year	2016	2017	2018	2019	2020
GDP *(RMB billion)*	74,358.5	82,075.4	91,928.1	98,651.5	101,356.6
GDP growth *(%)*	7.9%	10.4%	12.0%	7.3%	2.7%

Source: National Bureau of statistics of China

With respect to the overall PRC economy, according to the National Bureau of statistics of China, GDP of the PRC in 2020 reached approximately RMB101.4 trillion, representing a year-on-year increase of approximately 2.7%. The annual GDP growth rate of the PRC from 2016 to 2020 ranged from approximately 2.7% to approximately 12.0%.

Table 6: Guangdong Province GDP and GDP growth

Year	2016	2017	2018	2019	2020
GDP *(RMB billion)*	8,216.3	9,164.9	9,994.5	10,798.7	11,076.1
GDP growth *(%)*	9.9%	11.5%	9.1%	8.0%	2.6%

Source: Guangdong Statistical Yearbook 2021

Table 7: Dongguan City GDP and GDP growth

Year	2016	2017	2018	2019	2020
GDP *(RMB billion)*	726.1	807.9	881.8	947.4	965.0
GDP growth *(%)*	8.9%	11.3%	9.1%	7.4%	1.9%

Source: Guangdong Statistical Yearbook 2021

In addition, as shown in the two tables above, the annual GDP growth rate of the Guangdong Province ranged from approximately 2.6% to approximately 11.5% between 2016 and 2020. The annual GDP growth rate of the Dongguan ranged from approximately 1.9% to approximately 11.3% between 2016 and 2020. Although the COVID-19 in general had a strong negative effect on the economic development of many countries and regions around the world in the past two years, the Guangdong Province and Dongguan City have continued to grow in line with the overall PRC economy.

The property market in the PRC is more connected to the local economy and less susceptible to the global economic climate. As the PRC government has launched large-scaled fiscal and monetary stimulus to support the economy, such as the decrease of the targeted medium-term lending facility ("**TMLF**") by 20 basis points to 2.95% by the People's Bank of China and the decrease of the one-year loan prime rate and five-year loan prime rate by 20 basis points and 10 basis points, respectively, the GDP of China in 2021 is still expected to grow despite the economic slowdown, which in turn supports a moderate yet sustained upward trend in the property market and we consider that the GDP growth of the Guangdong Province should generally benefit and have a positive impact on the Dongguan City property market.

OVERVIEW OF THE PROPERTY DEVELOPMENT PROJECT

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 properties under the Property Development Project and Kar Info International and Massive Era Limited agreed to share the control over and returns of the Property Development Project. Pursuant to the Joint Operation Agreement, the Kar Info International was entitled to share 50% of the profit before taxation of the Property Development Project throughout the cooperation period to Massive Era Limited (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.

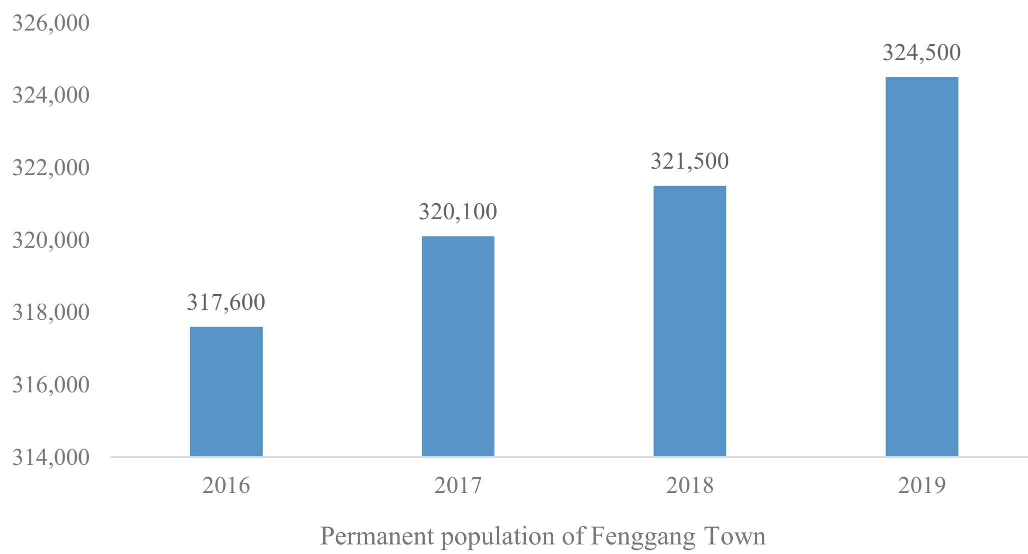
As discussed with the Management, as at 30 September 2021, the Property Development Project had been completed and there are 35 unsold residential units (comprising 23 Pre-Sold units and 12 Unsold Units), representing 5.8% of the total number of residential units of the Project Development Project. The Target Operation continues to sell the remaining residential units in the ordinary course of its business.

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.

Analysis of the Property Development Project

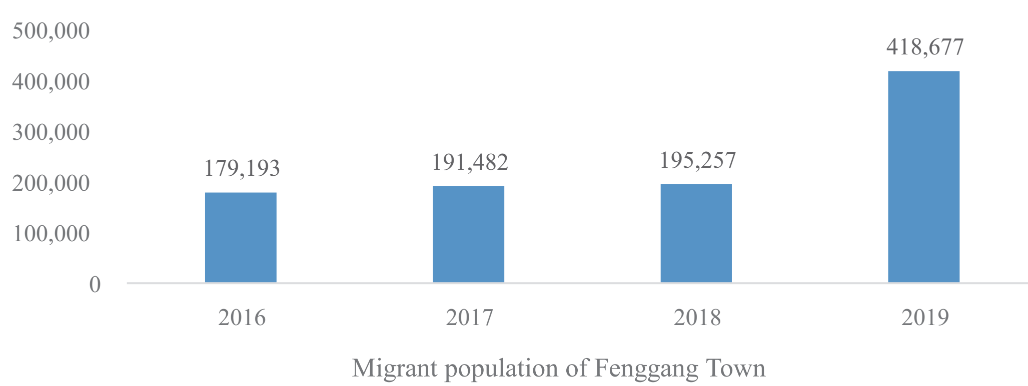
In analysing the Property Development Project, we have assessed the population in Fenggang Town. Set out in the chart below is the population in Fenggang Town issued by the Dongguan Statistics Bureau.

Chart 1: Permanent population of Fenggang Town



Source: *Dongguan Statistics Bureau*

Chart 2: Migrant Population of Fenggang Town

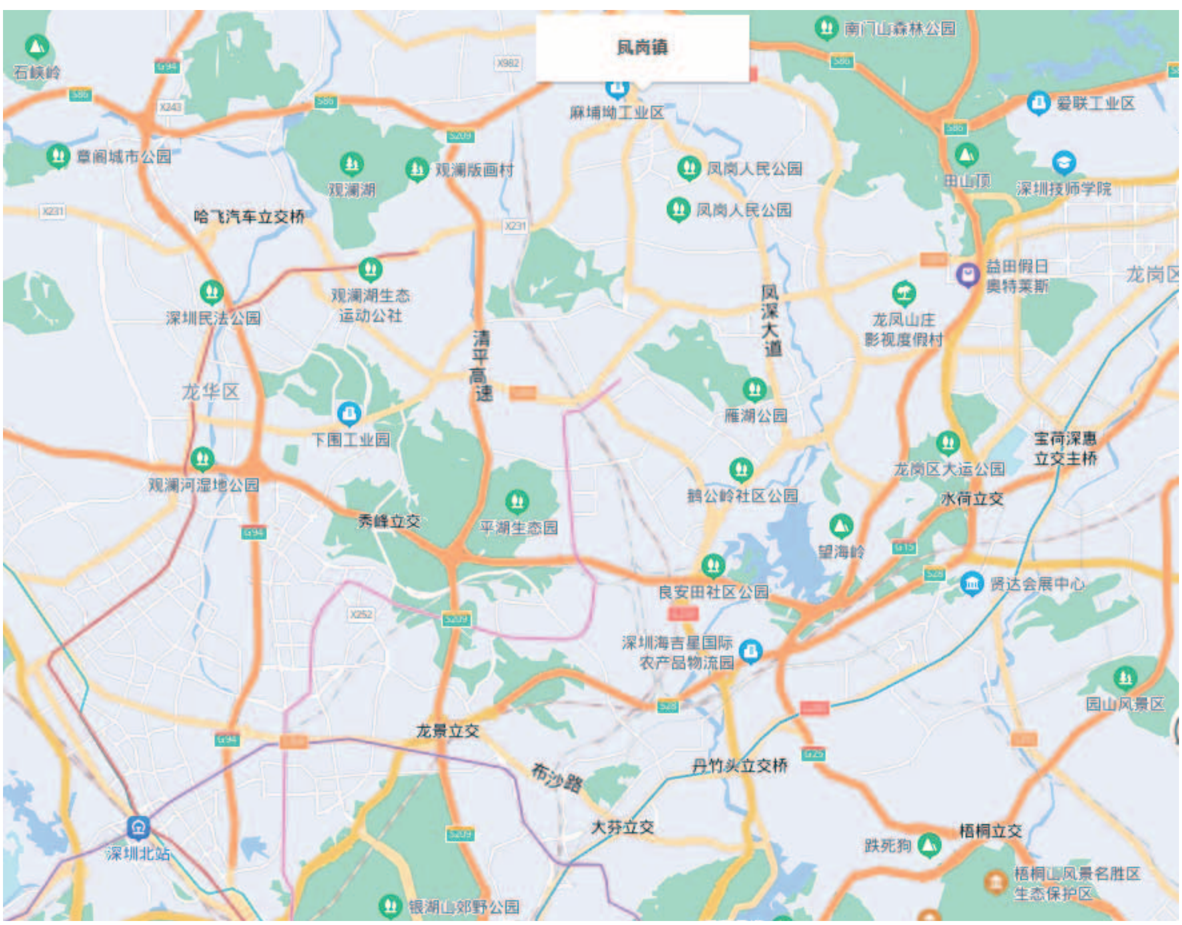


Source: *Dongguan Statistics Bureau*

As shown in the two charts above, both the permanent population and migrant population in Fenggang Town have shown an increasing trend in the past four years. The permanent population in Fenggang Town increased from 317,600 in 2016 to 324,500 in 2019, representing a compound annual growth rate of approximately 0.72%. The migrant population in Fenggang Town increased from approximately 179,193 to approximately 418,677 in 2019, representing a compound annual growth rate of approximately 32.69%.

As discussed with the management of the Project Company, the target customer for the Property Development Project also includes the residents of Shenzhen. The management of the Project Company is of the view that the favourable geographical location of Fenggang Town, which is close to Shenzhen City, and the comparatively lower sales price of residential properties in Fenggang Town as compared to that of Shenzhen City, should be able to attract the population of Shenzhen. The graph below shows the location of Fenggang Town:

Graph 1: The location of Fenggang Town (鳳崗鎮)



Source: *Baidu map*

Fenggang Town is located at the border of Shenzhen City and Dongguan City, which is approximately 35 kilometers from Futian central business district in Shenzhen City.

Set out below is the GDP and population of Shenzhen City:

Table 8: Shenzhen City GDP and GDP growth

Year	**2016**	**2017**	**2018**	**2019**	**2020**
GDP *(RMB billion)*	2,068.6	2,328.0	2,526.6	2,699.2	2,767.0
GDP growth *(%)*	12.2%	12.5%	8.5%	6.8%	2.5%

Source: Guangdong Statistical Yearbook 2021

Table 9: Shenzhen City population

Year	**2016**	**2017**	**2018**	**2019**	**2020**
Population *(million)*	15.0	15.9	16.7	17.1	17.6

Source: National Bureau of Statistics of China, Guangdong Statistical Yearbook 2021

As shown in the 2 tables above, the GDP of Shenzhen City in 2020 has shown a growth of approximately 2.5%. The annual GDP growth rate of Shenzhen City from 2016–2020 ranged from approximately 2.5% to approximately 12.5%. The population of Shenzhen has also increased from approximately 15.0 million in 2016 to approximately 17.6 million in 2020, representing a compound annual growth rate of approximately 4.1%

We have also assessed the residential property market in Shenzhen City. Set out in the chart below is the residential property prices in Shenzhen City issued by the National Bureau of Statistics of China:

Chart 3: Sales price of residential properties in Shenzhen City

Source: Shenzhen Statistics Bureau

As shown in the chart above, the average sales price of residential properties in Shenzhen City has increased from approximately RMB53,455 per sq.m. in 2016 to approximately RMB54,741 per sq.m. in 2019, representing a compound annual growth rate of approximately 0.8%. The average sales price of residential properties in Shenzhen City has decreased to approximately RMB52,808 per sq.m. in 2020.

We noted that the average sales price of residential properties in Shenzhen City is materially higher than the average sales price of residential properties in Dongguan City.

In light of the above and also the supporting data highlighted earlier in the sub-section headed "Overview of the location of the Property Development Project", we are of the view that the Acquisitions can benefit from: (i) the increasing demand for properties in the Guangdong Province and Dongguan City; (ii) the continuing GDP growth in the Guangdong Province; (iii) the continued growth in the population in Fenggang Town; (iv) the close proximity of Fenggang Town to Shenzhen City and Dongguan City; (v) the positive economic data and increasing population in Shenzhen City; and (vi) the comparatively lower average sales price of residential properties in

Fenggang Town compared to that in Shenzhen City. Based on the above and having considered in particular that: (i) the Acquisitions are in line with the Group's long-term development plan to revitalise the land on which its factories are located in Fenggang Town; and (ii) the Property Development Project is supported by the positive economic data of the Guangdong Province, Dongguan City and Shenzhen, we are of the view that the Acquisitions are in the interest of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

As discussed with the Management, 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 to achieve operational and management efficiency. In addition, 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 through a corporate reorganisation. The Acquisition and the Kar Info International Acquisition are, among others, the steps of such corporate reorganisation.

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.

THE KAR INFO INTERNATIONAL ACQUISITION AGREEMENT

Date:	28 January 2022
Parties:	Benefit Master, an indirect wholly-owned subsidiary of the Company
	Mr. Ho (as vendor)
Consideration:	US$100

Under the Kar Info International Acquisition Agreement, Benefit Master has conditionally agreed to acquire the entire issued share capital of Kar Info International at a consideration of US$100.

Conditions Precedent

The Kar Info International Acquisition Agreement is conditional upon:

(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).

The above conditions precedent are required to be fulfilled or waived on or before 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.

THE ACQUISITION AGREEMENT

Date:	28 January 2022
Parties:	KRP Development Company Limited, an indirect wholly-owned subsidiary of the Company (as the Purchaser)
	Kar Info Property Limited, a company wholly-owned by Mr. Ho (as the Vendor)

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) at a consideration of RMB38 million (equivalent to approximately HK$45.6 million), 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.

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 and be paid to the Purchaser upon the Closing Date.

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 against HK$ (offshore RMB currency (CNH)) 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.

Consideration adjustment

As at 30 September 2021, there were 12 Unsold Units under the Property Development Project. In the case if (i) such properties 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 properties per sq.m. is lower than the average appraisal price of such properties (the "**Adjusted Price Properties**"), the Consideration shall be adjusted in the following manner:

- *Adjusted Consideration = Consideration minus R*, in which:

  – The price of any Adjusted Price Properties 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 Properties

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 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.

Assignment of debt liabilities

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 in the amount of approximately RMB276.3 million (equivalent to approximately HK$331.5 million).

Conditions Precedent

The Acquisition Agreement is conditional upon:

(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, business, 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.

The above conditions precedent are required to be fulfilled or waived on or before 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.

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 Latest Practicable Date, save for conditions (f) and (g) above which have been fulfilled, none of the Acquisition Conditions have been fulfilled or waived.

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 the 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 a one-off manner.

ANALYSIS ON CONSIDERATION

Kar Info International Acquisition

As stated in the Letter from the Board, 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 Acquisition

As discussed with the Management, the Consideration was arrived after arm's length negotiation between the Purchaser and the Vendor on normal commercial terms. The Consideration was based on the fair value of the equity interest of the Target Company of RMB316 million, minus the debt liabilities of approximately RMB276.3 million assigned to the Company and applied a discount of 4.3%.

To assess the basis in determining the Consideration, we have, amongst other things, reviewed the Valuation Report and discussed with the Valuer on the valuation. We have noted and discussed with the Valuer that they have adopted asset-based approach to value the fair value of the entire equity interest of the Target Company and the market comparison method to value the Property.

We have discussed and reviewed the assumptions that were used in formulating the valuation of the Property and the Target Company and we are of the view that the assumptions used are fair and reasonable.

In order to assess the expertise and independence of the Valuer, we have obtained and review the engagement letter of the Valuer and the relevant licenses, qualifications and experience of the Valuer and its working team. We have also discussed with the Valuer to understand its previous experiences on valuation projects, the methodologies, basis and assumptions they have adopted as well as the steps and measures taken by the Valuer in conducting such valuation. The principal signing off the Valuation Report is Chartered Surveyor who has 14 years' experience in the valuation of properties in both Hong Kong and the PRC. We also understand from the Valuer that it has carried out on-site inspections and made relevant enquiries and searches for preparing such valuation report and no irregularities were noted. The Valuer confirmed that it is independent from the Group and their respective associates. Based on the above, we consider that the Value is qualified and possesses relevant experience in conducting the valuation, and the terms and scope of work is sufficient and appropriate.

(I) Valuation of the Property

In determining the value of the real estate inventory under the Target Company, the Valuer has conducted a valuation on the Property.

In conducting the valuation of the Property, the valuer has adopted, among others, the following principal assumptions:

(a) transferable land use rights in respect of the Property Development Project for its specific term at nominal annual land use fees have been granted and any premium payable has already been fully paid;

(b) the owner of the Property Development Project has enforceable title to it and free and uninterrupted rights to use, occupy or assign the same for the whole of the unexpired terms as granted; and

(c) the Property Development Project is free from encumbrances, restrictions and outgoings of an onerous nature which would affect its value.

A. Pre-sold Units

As discussed with the Valuer, the valuation of the Pre-sold Units was based on the actual selling price of the Pre-sold Units. As at the Valuation Date, there was 2,879.36 sq.m. of Pre-sold Units under the Property Development Project. The valuation of the Pre-sold Units is computed as follow:

	Total Pre-sold Units	**Average selling price per sq.m.**	**Valuation**
	(sq.m.)	*(RMB)*	*(RMB'000)*
Pre-sold Units	2,879.36	24,913	71,734

B. Unsold Units

As discussed with the Valuer, the valuation of the Unsold Units was based on the market approach, which is commonly adopted when determining the market value of properties. As this method makes reference to comparable sales evidence as available in the relevant market, we consider it is an acceptable method to derive the market value of the Unsold Units. As at the Valuation Date, there was 1,872.27 sq.m. of Unsold Units under the Property Development Project. The valuation of the Unsold Units is computed as follow:

	Total Unsold Units	**Valuation price per sq.m.**	**Valuation**
	(sq.m.)	*(RMB)*	*(RMB'000)*
Unsold Units	1,872.27	29,075	54,436

Based on the valuation report, we noted that the Valuer has looked for comparable properties that (i) located in Fenggang town; (ii) in well renovated condition; (iii) completed construction within two years before or after the completion of construction of the Property Development Project; (iv) were sold in September 2021; (v) the GFA ranged between 80 and 220 sq.m. Based on these selection criteria, the Valuer have identified 3 comparable properties, which is similar to the Unsold Units. We have obtained from the Valuer the information of the comparable properties and discussed with the Valuer. We noted that the market comparison methods adopted by the Valuer was making reference to comparable sales transactions available in the relevant market, subject to appropriate adjustments including but not limited to size, location, renovation and other factors. As discussed with the Valuer, the comparable properties chosen for comparison presented a full and exhaustive list of sample based on the above selection criteria and the selection criteria are relevant for providing the Valuer's opinion.

To further assess the fairness of the Consideration, we have also conducted research on average sale price of residential properties that is available for sale in Fenggang Town based on the publicly available information as at the Latest Practicable Date (the "**Comparable Properties**"). The selection criteria of the Comparable Properties including properties that (i) located in Fenggang town; (ii) commenced of sales in the past five years; and (iii) available for sale as at the Latest Practicable Date. As far as we are aware, we have identified an exhaustive list of 12 residential properties project (excluding the Property Development Project) that are available for sale in Fenggang Town as at the Latest Practicable Date. Set out in the table below are the average sale price of the Comparable Properties in Fenggang Town:

Set out below shows the list of comparable properties and their relevant sales price:

Table 10: Comparable properties in Fenggang Town

Project Name	Commencement of sales	Average selling price RMB per sq.m. as at the Latest Practicable Date
保利招商錦上	Aug 2021	37,333
世城悅湖花園	Sep 2021	32,500
三正鵬程上花園	Sep 2021	35,167
嘉輝豪庭逸峯	Sep 2021	31,833
招商雍祥府	Sep 2021	36,667
錦龍灣畔	Jan 2019	30,667
東江花園	Dec 2019	30,000
鳳崗四季花城	Mar 2020	34,000
世城商業中心瓏寓	Oct 2019	27,000
悅瀾時光	Jul 2010	25,000
世紀時尚豪園	Jun 2017	23,500
振江鳳凰台	Oct 2016	23,000
Average		**30,556**

Source: https://dg.anjuke.com/, https://dg.fang.ke.com/loupan/, http://dongguan.jiwu.com/

Based on the table above, the sale price of the Comparable Companies as at the Latest Practicable Date ranges from RMB23,000 to RMB37,333 per sq.m. with an average of approximately RMB30,556. Based on the Valuation Report, the valuation price for the Unsold Units is approximately RMB29,075 per sq.m., which is within the range and below the average sale price of the Comparable Properties. Having considered the abovementioned, we are of the view that the valuation for the Property prepared by the Valuer is fair and reasonable and hence the valuation for the equity interest of the Target Company is acceptable.

(II) Valuation of the equity interest of the Target Company

According to the Valuation Report and our discussion with the Valuer on the methodologies underlying the Valuation Report, we understood that the Valuer has considered three generally accepted approaches, namely the income approach, market approach and asset-based approach for the valuation of the equity interest of the Target Company.

As advised by the Valuer, the discounted future cash flow method under the income approach requires an explicit forecast of the future benefit stream of the business over a reasonably foreseeable short term and an estimate of a long-term benefit stream of the business that is stable and sustainable. The Target Company was set up for a single property development project, which its ability to generate stable stream of revenue is uncertain. As such, the Valuer considered the income approach is not appropriate.

The market approach provides an indication of value by comparing the subject asset/transaction to similar assets that have been sold in the market/transaction, with appropriate adjustments for the differences between the subject asset/transaction and the assets/transaction that are considered to be comparable. Due to limited comparable transactions and the comparable listed companies having low comparability in terms of number of unsold properties, the Valuer considered that it is not appropriate to use market approach in the valuation.

As discussed with the Valuer, the Valuer is of the view that asset-based approach is the most optimal approach as the major assets owned by the Target Company is fixed assets, we concur with the Valuer that it is an acceptable method to derive the value of the equity interest of the Target Company.

In conducting the valuation of the equity interest of the Target Company, the Valuer has adopted, among others, the following major assumptions:

(i) the information provided to the Valuer by the Company and/or its management has been prepared on a reasonable basis after its/their due and careful consideration;

(ii) There will be no major change in the current taxation laws in the localities in which the Target Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

(iii) The core business operation of the Target Company will not differ materially from those of present or expected; and

(iv) The information provided has been prepared on a reasonable basis after due and careful consideration by the management of the Target Company and the Company.

Other assumptions underlying the valuation of the equity interest of the Target Company by the Valuer have been stated in the Valuation Report. Shareholders should note that any changes in the abovementioned assumptions will likely affect the valuation of the equity interest of the Target Company.

For valuation of the equity interest of the Target Company, the Valuer had considered the type of assets and liabilities of the Target Company. The Valuer adopted appropriate valuation methodology for each different class of assets and liabilities as follows:

Assets	**Valuation Approach & Methodology**
Cash and cash equivalent, prepaid accounts, other receivables and deferred tax assets	Based on values in the management account of the Target Company. For structured deposit, the fair value is estimated by adjusting the accrued interest as of 30 September 2021 on the basis of the deposit principal in the management account of the Target Company.
Real estate inventory	Based on property valuation conducted by the Valuer.
Property plant and equipment	The cost approach was adopted for equipment. The market approach was adopted for vehicles.

Liabilities	**Valuation Approach & Methodology**
Accounts payable, dividend payable, advanced from customers, accrued expenses and other liabilities	Based on values in the management account of the Target Company.
Deferred tax liabilities and provision for land appreciation tax	Deferred tax liabilities are estimated based on increase in value from book value of the structured deposit, PPE and inventories that were for sale purposes. 25% tax rate is applied.
Provision for land appreciation tax	The provision for tax on surplus arising from the valuation of inventories that were for sale purposes.

Accordingly to the Valuation Report, the total equity of the Target Company is approximately RMB316 million, which is derived as follow:

	Value
	(RMB'000)
Total assets	**951,752**
Cash and cash equivalent	83,338
Pre-paid accounts	112
Real estate inventory	126,170
Property, plant, and equipment	311
Deferred tax asset	91,921
Other receivable	649,900
Total liabilities	**635,913**
Accounts payable	993
Dividends payable	170,000
Advances from customers	30,790
Accrued expenses and other liabilities	383,376
Deferred tax liabilities	14,706
Provision for land appreciation tax	36,049
Total equity	**316,000**

As discussed with the Management, the other receivables of approximately RMB650.0 million was the amounts due from the New Entity. As at the Latest Practicable Date, approximately RMB167.5 million has been settled and the remaining balance of RMB276.3 million will be assigned to the Company. In view of the above, we consider that the Valuation Report to be the appropriate source of information for the purpose of our assessment on the fairness and reasonableness of the Consideration.

According to the Valuation Report, the appraised total equity of the Target Company is approximately RMB316 million (equivalent to approximately HK$379.2 million), a 4.3% discount will be applied after the deduction of the debt liabilities of approximately RMB276.3 million to derived the Consideration.

To further assess the fairness and reasonableness of the Consideration, we had carried out, on a best effort basis, a comparable table on consideration paid by other listed issuers in property transaction using the following selection criteria: (i) acquisition of properties in PRC by companies listed on the Stock Exchange in the past six months from 1 June 2021 to 31 December 2021 ("**Property Transaction Research Period**") which constitute a notifiable transaction; and (ii) appraised value of the property(ies) by independent valuer as basis of determination of consideration set out in the circular. We have identified and made references to 11 comparable transactions ("**Comparable Property Transactions**") which meet the aforesaid criteria, and these Comparable Property Transactions are exhaustive and representative. The table below set out the brief summary of relevant information of the Comparable Property Transactions:

No.	Company (Stock code)	Date of circular	Transaction	Connected transaction	Consideration	Adjusted NAV/ valuation of property	Premium/ discount of adjusted NAV/ valuation of property
1	Wai Chi Holdings Company Limited (1305.HK)	10-Dec-21	Acquisition of target company in the PRC	Yes	RMB91.0 million	RMB101.4 million	-20.0%
2	Tai United Holdings Limited (0718.HK)	30-Nov-21	Acquisition of commercial property in Anhui, the PRC	No	RMB370.0 million	RMB502.0 million	-30.0%
3	China 21st Century Education Group Limited (1598.HK)	26-Nov-21	Acquisition of commercial property in Hebei, the PRC	Yes	RMB310.0 million	RMB310.38 million	0.0%
4	Yuexiu Real Estate Investment Trust (405.HK)	13-Nov-21	Acquisition of commercial property in Guangzhou, the PRC	Yes	RMB7,800 million	RMB8,030 million	-2.9%
5	Ye Xing Group Holdings Limited (1941.HK)	22-Oct-21	Acquisition of commercial property in Beijing, the PRC	Yes	RMB22.76 million	RMB23 million	-2.0%

No.	Company (Stock code)	Date of circular	Transaction	Connected transaction	Consideration	Adjusted NAV/ valuation of property	Premium/ discount of adjusted NAV/ valuation of property
6	China Tangshang Holdings Limited (674.HK)	22-Oct-21	Acquisition of target company in the PRC	Yes	RMB137 million	RMB163 million	-15.9%
7	Rich Goldman Holdings Limited (70.HK)	24-Sep-21	Acquisition of 51% of the issued share capital of target company	No	HK$74 million	HK$95 million	-22.6%
8	Dongjiang Environmental Company Limited (895.HK)	20-Aug-21	Acquisition of 70% equity interest in the target company	No	RMB429 million	RMB362 million	22.2%
9	Yuexiu Property Company Limited (123.HK)	11-Aug-21	Acquisition of 98% equity interest in target company	Yes	RMB1,874 million	RMB1,874 million	0.0%
10	C&D International Investment Group Limited (1908.HK)	30-Jul-21	Acquisition of 100% Equity interests in target company	Yes	RMB24.0 million	RMB27.6 million	12.7%
11	Future World Holdings Limited (572.HK)	23-Jul-21	Acquisition of property	No	RMB1,356	RMB1,728	-21.5%
						Average	-7.3%
						Minimum premium	22.2%
						Maximum discount	-30.0%

As illustrated in the table above, the consideration over appraised value of property/adjusted NAV of property project company ranged from a discount of approximately 30.0% to a premium of approximately 22.2%. It is noted that the approximately 4.3% discount of the valuation of the Target Company (which include the value of the Properties) is within the range of discount of the Comparable Property Transactions.

Taking into account that the slight discount of the valuation of the Target Company is within the range of the Comparable Property Transactions, we are of the view that the discount of approximately 4.3% is acceptable.

Consideration adjustment

As at the Valuation Date, there were 12 Unsold Units under the Property Development Project that were yet to be sold by the Target Company. In the event that (i) the Unsold Units are being sold by the Target Company to third parties during the period from the Valuation Date to the Closing Date; and (ii) the selling price of such properties per sq.m. is lower than the average appraisal price of such properties (the "**Adjusted Price Properties**"), the Consideration shall be adjusted in the following manner:

- *Adjusted Consideration = Consideration minus R*, in which:

  – The price of any Adjusted Price Properties 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 Properties

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 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.

As discussed with the Management, the adjustment ensure the Company to acquire the Adjusted Price Properties at the price not higher than the actually selling price. As the Consideration was arrived at a slight discount of 4.3% of the valuation of the equity interest of the Target Company (which include the value of the Properties), the consideration adjustment will eliminate the potential risk of the Company during the period of the Valuation Date and the Closing Date. We are of the view that the Consideration adjustment is acceptable.

Based on the above and having considered in particular that:

(i) The valuation of the Pre-sold Units was based on the actual selling price of the Pre-sold Units;

(ii) the valuation price for the Unsold Units is within the range and below the average sale price of the Comparable Properties;

(iii) the major assumptions made in connection with the valuation approach are reasonable;

(iv) the discount of approximately 4.3% is within the range of discount of the Comparable Property Transactions; and

(v) the Consideration adjustment is acceptable and ensure the Company to acquire the Adjusted Price Properties at the price not higher than the actually selling price,

we are of the view that the Consideration is fair and reasonable so far the Company and the Independent Shareholders are concerned.

FINANCIAL EFFECTS

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 Group will be consolidated into the accounts of the Company.

As discussed with the Management, 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, 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 Latest Practicable Date, 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 Group had always been the subsidiaries of the Company since the date the Company and the Target Group were under common control (which was before 1 April 2018).

The following table sets forth the significant financial effect of the Acquisitions on the Enlarged Group, as identified in the Unaudited Pro Forma Financial Information, assuming that the Closing had taken place on 30 September 2021, as compared to the financial position of the Group as at 30 September 2021:

Table 11: Financial effect of the Acquisitions on the Enlarged Group

	As at 30 September 2021	**Pro forma adjustment**	**Upon Acquisitions Closing (pro forma Enlarged Group)**	**Change**
	HK$'000	*HK$'000*	*HK$'000*	*%*
Net current assets	1,377,547	-218,453	1,159,094	-15.9
Total assets	4,454,837	+390,181	4,845,018	+8.8
Total liabilities	2,884,043	+498,277	3,382,320	+17.3

Assets and liabilities

Based on the Unaudited Pro Forma Financial Information, the unaudited pro forma consolidated total assets of the Enlarged Group as at 30 September 2021 would increase by approximately 8.8% to approximately HK$4,845 million, and the unaudited pro forma consolidated total liabilities of the Enlarged Group as at 30 September 2021 would increase by approximately 17.3% to approximately HK$3,382, after the Acquisitions, assuming that the Acquisition Closing had taken place on 30 September 2021.

The net assets, the total assets, and the total liabilities of the Enlarged Group which are referred to in this subsection were extracted from the Unaudited Pro Forma Financial Information, which was based on, among other things, a Consideration of approximately RMB38 million (equivalent to approximately HK$45.6 million) and the assumption that the completion of the Acquisitions had occurred on 30 September 2021. As the actual amounts of the assets and liabilities of the Target Company will be different from the amounts used in the Unaudited Pro Forma Financial Information, the abovementioned figures as at the date of Acquisition Closing may also be different from the corresponding amounts presented in the Unaudited Pro Forma Financial Information.

Earnings

Based on accountants' report of the Target Operation as set out in Appendix II to the circular, it is expected that the earnings of the Enlarged Group will increase as a result of the Acquisitions. After considering the factors set out in the section headed "Reasons for and benefits of the Acquisitions" of the Letter of the Board, the Directors expect that the Acquisitions could produce a positive impact on the earnings of the Group in the near future.

RECOMMENDATION

In light of the above and having considered in particular that:

(I) The Property Development Project is supported by the positive economic data of Guangdong Province, Dongguan City and Shenzhen City and the continued growth in the population in Fenggang Town, Dongguan City and Shenzhen City;

(II) the Acquisitions are part of the corporate re-organization steps of the Group; and

(III) the Consideration is fair and reasonable as the valuation for the Property and the Target Company is acceptable,

we are of the opinion that: (i) the Acquisitions are in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Kar Info International Acquisition Agreement and the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (iii) the Acquisitions are in the ordinary and usual course of business of the Company. Accordingly, we recommend: (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the SGM to approve, among other things, the Kar Info International Acquisition Agreement and the Acquisition Agreement and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
China Tonghai Capital Limited

Leo Chan
Managing Director

Beverly Seeto
Vice President

Mr. Leo Chan is a Managing Director of China Tonghai Capital Limited and is licensed under the SFO as a Responsible Officer to carry out, among others Type 6 (advising on corporate finance) regulated activity and has approximately 24 years of experience in corporate finance.

Ms. Beverly Seeto is a Responsible Officer of China Tonghai Capital Limited licensed under the SFO to carry out, among others Type 6 (advising on corporate finance) regulated activity and has approximately 9 years of experience in corporate finance.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 31 March 2019, 2020, and 2021 and the unaudited condensed consolidated financial statements of the Group, together with the accompanying notes, for the six months ended 30 September 2021 are disclosed in the following documents, respectively, which can be accessed on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**http://www.karrie.com/en/**):

(i) annual report of the Company for the year ended 31 March 2019 (pages 114 to 295):

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0723/ltn20190723287.pdf

(ii) annual report of the Company for the year ended 31 March 2020 (pages 116 to 282):

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0728/2020072800475.pdf

(iii) annual report of the Company for the year ended 31 March 2021 (pages 105 to 262):

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0716/2021071600473.pdf

(iv) interim report of the Company for the six months ended 30 September 2021 (pages 3 to 28):

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1223/2021122300307.pdf

2. INDEBTEDNESS STATEMENT

Borrowings

As at 31 December 2021, the Enlarged Group has a total indebtedness of approximately HK$1,266 million as set forth below:

	As at 31 December 2021 *HK$'000*
Current	
Bank borrowings — secured	266,960
Bank borrowings — non-secured	317,136
Lease liabilities	6,946
	591,042
Non-current	
Bank borrowings — secured	48,315
Bank borrowings — non-secured	615,000
Lease liabilities	11,640
	674,955
Total	1,265,997

Mortgage Guarantees

The Enlarged Group provide guarantees to banks to secure the mortgage arrangements of certain property buyers. As at 31 December 2021, the outstanding guarantees to the banks amounted to RMB586 million, which will be released upon the completion of the transfer procedures with the property buyers in respect of the legal title of the properties.

The Directors do not consider it probable that the Enlarged Group will sustain a loss under these guarantees as the banks have the right to sell the property and recover the outstanding loan balances from the sale proceeds if the property purchasers default payment obligations. No deferred income in respect of these guarantees have been recognised as their fair value is considered to be insignificant by the Directors.

Save as disclosed here in and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, as at the close of business on the Latest Practicable Date, the Enlarged Group did not have any other material debt securities, issued or outstanding, or authorised or otherwise created but unissued, term loan, other borrowings or indebtedness in the nature of borrowing of the Enlarged Group including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, mortgages, charges, contingent liabilities or guarantees.

As at the close of business on the Latest Practicable Date, to the best knowledge of the Directors having made all reasonable enquiries, there has been no material change in indebtedness of the Enlarged Group.

3. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group

For the year ended 31 March 2021, the revenue of the Group was HK$3,192,617,000 (for the year ended 31 March 2020: HK$2,902,208,000), which increased by approximately 10% when compared with the corresponding period last year. Profit for the year attributable to the equity shareholders of the Company amounted to HK$365,281,000 (for the year ended 31 March 2020: HK$250,266,000), which increased by approximately 46% when compared with the corresponding period last year. It is gratifying to note that the Group has achieved outstanding results despite the epidemic haze.

In terms of the metal and plastic business and electronic manufacturing services business, the Group will continue to deepen its automated production, increase its investment in production line, and explore cooperation opportunities with different cloud service providers and in electric vehicle related industry.

In terms of the real estate business, as a participant of urban renewal projects for cities in the Greater Bay Area, not only will the Group continue to conduct initial procedures for the change of land use of a land parcel in Yan Tien, but it will also proactively identify quality land parcel to replenish the Group's land reserves. Furthermore, Phases 4 and 5 of Castfast Villas* (嘉輝豪庭), a residential project wholly-owned by the Group, will continue to release new units for sale. The Group believes that the real estate business will bring significant revenue for Shareholders.

The Group has submitted a proposal in relation to the Possible Spin-off to the Stock Exchange pursuant to Practice Note 15 to the Listing Rules. The Board considers that the Possible Spin-off, if materialised, will better position the business segments of both the metal and plastic business and electronic manufacturing services business, and the real estate business, in their respective line of business, and deliver benefits to both.

In accordance with the Group's business strategy and part of the steps of the Proposed Spin-off, the Group entered into the Kar Info International Acquisition Agreement for the Kar Info International Acquisition and the Acquisition Agreement for the Acquisition. Please refer to the section headed "Reasons for and Benefits of the Acquisitions" in the Letter from the Board in this circular for the benefits of the acquisition of the Target Operation through the Acquisition that are expected to be brought to the Group.

The Enlarged Group

Upon of the closing of the Acquisitions, the Company will become the 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. Accordingly, the consolidated financial statements of the Company will be restated and prepared using the merger basis of accounting as if Kar Info International and the Target Company 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).

Looking forward to the financial year ending 31 March 2022, after the Acquisition Closing, the Enlarged Group will continue with the existing principal businesses. The Acquisition can increase the units for sale of the residential flats of the Group and broaden its presence in the property development market in the Greater Bay Area.

In the financial aspect, the Acquisition will enhance the income and asset base of the Group, improve the management efficiency of the Group, and broaden its revenue base.

4. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. WORKING CAPITAL SUFFICIENCY

The Directors, after due and careful consideration, are of the opinion that the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances, after taking into account the Enlarged Group's available financial resources including internal generated cash flows, cash on hand, and other external facilities from banks.

The Directors confirmed that requirements under Rule 14.66(12) of the Listing Rules have been complied with.

The following is the text of a report set out on pages II-1 to II-58, received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in the circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KARRIE INTERNATIONAL HOLDINGS LIMITED

Introduction

We report on the historical financial information of the operation of Phase 3 of Castfast Villas attributable to Kar Info International Property Limited (the "**Target Operation**") set out on pages II-4 to II-58, which comprises the combined statements of financial position of the Target Operation as at 31 March 2019, 2020 and 2021 and 30 September 2021 and the combined statements of profit or loss, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined cash flow statements, for each of the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-58 forms an integral part of this report, which has been prepared for inclusion in the circular of Karrie International Holdings Limited (the "**Company**") dated 31 January 2022 (the "**Circular**") in connection with the proposed acquisitions of Kar Info International Property Limited ("**Kar Info International**") and Dongguan City Jiaxuntong Computer Products Limited (東莞市嘉訊通電腦產品有限公司) (the "**Target Company**") by the Company.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1(b) to the Historical Financial Information.

The Underlying Financial Statements of the Target Operation as defined on page II-4, on which the Historical Financial Information is based, were prepared by the directors of Kar Info International and the Target Company. The directors of Kar Info International and the Target Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the

Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and for such internal control as the directors of Kar Info International and the Target Company determine are necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1(b) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of the Target Operation as at 31 March 2019, 2020 and 2021 and 30 September 2021 and of the financial performance and cash flows of the Target Operation for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1(b) to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Target Operation which comprises the combined statement of profit or loss, the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined cash flow statements for the six months ended 30 September 2020 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in note 1(b) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1(b) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements of the Target Operation as defined on page II-4 have been made.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
31 January 2022

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Target Operation for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

COMBINED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi ("RMB"))

		Years ended 31 March			Six months ended 30 September	
		2019	**2020**	**2021**	**2020**	**2021**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*4*	201,833	281,156	282,667	186,519	26,265
Cost of revenue		(49,601)	(69,155)	(80,651)	(50,623)	(7,004)
Gross profit		152,232	212,001	202,016	135,896	19,261
Selling expenses		(2,597)	(12,108)	(12,362)	(8,266)	(275)
General and administrative expenses		(3,288)	(4,052)	(6,297)	(2,105)	(1,702)
Operating profit		146,347	195,841	183,357	125,525	17,284
Finance income	*5(a)*	—	6,231	5,884	2,388	2,519
Finance costs	*5(a)*	(1,779)	(4,000)	—	—	—
Finance (costs)/income, net		(1,779)	2,231	5,884	2,388	2,519
Profit before taxation	*5*	144,568	198,072	189,241	127,913	19,803
Income tax charge	*6(a)*	(80,624)	(115,243)	(119,635)	(77,454)	(10,368)
Profit for the year/period		63,944	82,829	69,606	50,459	9,435

The accompanying notes form part of the Historical Financial Information.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in RMB)

	Years ended 31 March			Six months ended 30 September	
	2019	**2020**	**2021**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period	63,944	82,829	69,606	50,459	9,435
Other comprehensive income for the year/period					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of operations outside Mainland China	(1)	3,334	(6,031)	(5,140)	(1,974)
Total comprehensive income for the year/period	63,943	86,163	63,575	45,319	7,461

The accompanying notes form part of the Historical Financial Information.

COMBINED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

		As at 31 March			As at 30 September
		2019	**2020**	**2021**	**2021**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*10*	513	269	89	43
Deferred tax assets	*17(b)*	21,719	55,470	90,116	91,921
		22,232	55,739	90,205	91,964
Current assets					
Inventories	*12*	144,314	95,521	38,922	31,918
Other receivables	*13*	9,472	263	122	112
Amount due from a related party	*21(d)*	223,985	436,940	435,621	443,784
Cash and bank deposits	*14*	210,320	129,261	205,149	82,985
		588,091	661,985	679,814	558,799
Current liabilities					
Bank borrowings	*15*	190,000	—	—	—
Other payables and accruals	*16*	162,421	163,339	35,773	32,594
Amount due to a related party	*21(d)*	16,520	103,485	109,467	2,574
Current tax payable	*17(a)*	135,622	268,977	399,281	382,636
		504,563	535,801	544,521	417,804
Net current assets		83,528	126,184	135,293	140,995
Total assets less current liabilities		105,760	181,923	225,498	232,959
NET ASSETS		105,760	181,923	225,498	232,959
CAPITAL AND RESERVES	*18*				
Share capital		50,001	50,001	50,001	50,001
Reserves		55,759	131,922	175,497	182,958
TOTAL EQUITY		105,760	181,923	225,498	232,959

The accompanying notes form part of the Historical Financial Information.

COMBINED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Share capital	Share Premium	Exchange reserve	Statutory surplus reserve	(Accumulated losses)/ retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 April 2018	50,001	40	—	—	(8,224)	41,817
Changes in equity for the year ended 31 March 2019:						
Profit for the year	—	—	—	—	63,944	63,944
Other comprehensive income	—	—	(1)	—	—	(1)
Total comprehensive income	—	—	(1)	—	63,944	63,943
Appropriation of statutory reserves	—	—	—	9,999	(9,999)	—
Balance at 31 March 2019 and 1 April 2019	50,001	40	(1)	9,999	45,721	105,760
Changes in equity for the year ended 31 March 2020:						
Profit for the year	—	—	—	—	82,829	82,829
Other comprehensive income	—	—	3,334	—	—	3,334
Total comprehensive income	—	—	3,334	—	82,829	86,163
Appropriation of statutory reserve	—	—	—	14,323	(14,323)	—
Distribution *(note 18(d))*	—	—	—	—	(10,000)	(10,000)
Balance at 31 March 2020	50,001	40	3,333	24,322	104,227	181,923
Balance at 1 April 2020	50,001	40	3,333	24,322	104,227	181,923
Changes in equity for the year ended 31 March 2021:						
Profit for the year	—	—	—	—	69,606	69,606
Other comprehensive income	—	—	(6,031)	—	—	(6,031)
Total comprehensive income	—	—	(6,031)	—	69,606	63,575
Appropriation of statutory reserve	—	—	—	678	(678)	—
Distribution *(note 18(d))*	—	—	—	—	(20,000)	(20,000)
Balance at 31 March 2021	50,001	40	(2,698)	25,000	153,155	225,498

COMBINED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Share capital	Share Premium	Exchange reserve	Statutory surplus reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 April 2020 (unaudited)	50,001	40	3,333	24,322	104,227	181,923
Changes in equity for the six months ended 30 September 2020:						
Profit for the period	—	—	—	—	50,459	50,459
Other comprehensive income	—	—	(5,140)	—	—	(5,140)
Total comprehensive income	—	—	(5,140)	—	50,459	45,319
Appropriation of statutory reserves	—	—	—	678	(678)	—
Balance at 30 September 2020 (unaudited)	50,001	40	(1,807)	25,000	154,008	227,242
Balance at 1 April 2021	50,001	40	(2,698)	25,000	153,155	225,498
Changes in equity for the six months ended 30 September 2021:						
Profit for the period	—	—	—	—	9,435	9,435
Other comprehensive income	—	—	(1,974)	—	—	(1,974)
Total comprehensive income	—	—	(1,974)	—	9,435	7,461
Balance at 30 September 2021	50,001	40	(4,672)	25,000	162,590	232,959

The accompanying notes form part of the Historical Financial Information.

COMBINED CASH FLOW STATEMENTS

(Expressed in RMB)

	Note	Years ended 31 March 2019 RMB'000	Years ended 31 March 2020 RMB'000	Years ended 31 March 2021 RMB'000	Six months ended 30 September 2020 RMB'000 (unaudited)	Six months ended 30 September 2021 RMB'000
OPERATING ACTIVITIES						
Cash generated from/(used in) operations	*14(b)*	218,286	203,850	183,274	162,744	(95,866)
Income tax paid		(10,160)	(83,140)	(93,270)	(63,627)	(28,817)
Net cash generated from/(used in) operating activities		208,126	120,710	90,004	99,117	(124,683)
INVESTING ACTIVITIES						
Interest received		—	6,231	5,884	2,388	2,519
Placement of deposits with more than three months to maturity when placed		(90,000)	(100,000)	(125,000)	(80,000)	—
Proceeds from redemption of deposits with more than three months to maturity when placed		—	190,000	125,000	—	—
Net cash (used in)/generated from investing activities		(90,000)	96,231	5,884	(77,612)	2,519
FINANCING ACTIVITIES						
Repayment of bank borrowings	*14(c)*	—	(190,000)	—	—	—
Interest paid	*14(c)*	(12,470)	(8,000)	—	—	—
Distribution paid	*18(d)*	—	(10,000)	(20,000)	—	—
Net cash used in financing activities		(12,470)	(208,000)	(20,000)	—	—
Increase/(decrease) in cash and cash equivalents		105,656	8,941	75,888	21,505	(122,164)
Cash and cash equivalents at the beginning of the year/period		14,664	120,320	129,261	129,261	205,149
Cash and cash equivalents at the end of the year/period	*14(a)*	120,320	129,261	205,149	150,766	82,985

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

(a) General information

Kar Info International Property Limited ("**Kar Info International**") was established on 15 April 2015 as a limited liability company incorporated in the British Virgin Islands ("**BVI**"). Kar Info International is an investment holding company with no business operation. The registered office is Sea Meadow House, Blackburne Highway, Road Town, Tortola, BVI.

Dongguan City Jiaxuntong Computer Projects Limited ("**Target Company**"), which is an indirectly wholly-owned subsidiary of Kar Info International, established on 7 September 2000 as a limited liability company incorporated in the People's Republic of China. The principal activity of the Target Company is the production and sales of computer related electronic devices, parts, high-tech products and the real estate development project of Phase 3 of Castfast Villas. The Property Development Project held by the Target Company is located in Fenggang Town, Dongguan City, Guangdong Province, the PRC. The registered office is 廣東省東莞市鳳崗鎮嘉利路6號4棟201室.

As announced by the Company on 1 August 2016, Massive Era Limited ("**Massive Era**"), 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**"). Pursuant to the Joint Operation Agreement, Kar Info International and Massive Era agreed to share the control over and the returns of the development and sales of the residential units of Phase 3 of Castfast Villas ("**Property Development Project**"), which is legally owned by the Target Company, for a three-year period commencing from 23 December 2016, the date of which the agreed amongst the parties to the Joint Operation Agreement in writing, and subject to any extension agreed by both parties (the "**Cooperation Period**"). The Cooperation Period was extended for an additional 15 months on 4 October 2019 and the Joint Operation Agreement expired on 22 March 2021. During the Cooperation Period, Kar Info International was entitled to share 50% of the revenue and expenses of the Property Development Project throughout the Cooperation Period, except for the corporate income taxation ("**CIT**") which would be entirely bearable by the Target Operation as stipulated in the Joint Operation Agreement. Further details of the joint operation are set out in note 11.

Under the proposal of proposed spin-off of its residential real estate business (the "**Spin-off Business**") to separately list on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Proposed Spin-off**") in accordance with Practice Note 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as detailed in the section headed "Letter from the Board" in the Circular dated 31 January 2022 (the "**Circular**") in connection with the proposed acquisitions of Kar Info International and the Target Company by the Company, the Property Development Project will be fully injected into the Spin-off Business and therefore the Company proposed, as part of the corporate reorganisation for the Proposed Spin-off, to acquire Kar Info International and the Target Company (collectively, the "**Acquisitions**"). Also, the Target Company has completed a corporate division ("**Corporate Division**") before the Acquisitions such that only the assets and liabilities in connection with the Property Development Project were retained by the Target Company and all other businesses, assets and liabilities unrelated to the Property Development Project were transferred to Dongguan Jiale Enterprise Development Company Limited (東莞嘉樂企業發展有限公司 ("**Dongguan Jiale**"), a new entity. Dongguan Jiale is not part of the Acquisitions.

For the purpose of this report, the Historical Financial Information has been prepared to present the share of Kar Info International in the activities, assets and liabilities of the Property Development Project (the "**Target Operation**"), which represents the 50% of the interests in Property Development Project from the beginning of the Relevant Periods to the expiry date of 22 March 2021 and 100% of the interests in Property Development Project after the expiry date.

(b) Basic of preparation

Historically, the Property Development Project was carried out in the way in which the directors of the Company considered the associated activities, assets and liabilities can be objectively distinguishable and delineated from other economic activities carried out by Kar Info International and the Target Company.

Throughout the Relevant Periods and as of the date of this report, the Target Operation is under the common control of Mr. Ho Cheuk Fai ("**Mr. Ho**") and is separately managed from other economic activities carried out by Kar Info International and the Target Company, hence there is a continuation of the risks and benefits to Mr. Ho. For the purpose of inclusion in the Circular, the Historical Financial Information has been prepared as if the Target Operation had always been existed as a separate group since the beginning of the Relevant Periods. The revenue, expenses, assets, liabilities and cash flows attributable to the Target Operation included in the Historical Financial Information have been stated at the existing book values from the perspective of Mr. Ho.

The Historical Financial Information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Further details of the significant accounting policies adopted are set out in note 2.

For the purpose of preparing the Historical Financial Information, the accounting policies set out in note 2 have been applied consistently throughout the Relevant Periods, except for HKFRS 16, Leases, which has been initially applied on 1 April 2019 and is detailed in note 1(b)(i) below. The HKICPA has issued a number of new and revised HKFRSs. The new accounting standards and interpretations issued but not yet effective before the accounting year beginning on or after 1 April 2022 as set out in note 22 have not been adopted in the preparation of Historical Financial Information.

The Historical Financial information also complies with the applicable disclosure provisions of the Listing Rules.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

(i) HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases-incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the Historical Financial Information to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

HKFRS 16 has been initially applied on 1 April 2019 in the Historical Financial Information. It is elected to use the modified retrospective approach and therefore the cumulative effect of initial application has been recognised as an adjustment to the opening balance of equity at 1 April 2019. Financial information from 1 April 2018 to 31 March 2019 has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes on previous accounting policies are set out below.

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The new definition of a lease in HKFRS 16 is applied to the Historical Financial Information only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the transitional practical expedient has been used to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, it is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

The adoption of HKFRS 16 does not have material impact on the Target Operation's financial position and opening balance of equity as at 1 April 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, it is not required to make any adjustments at the date of initial application of HKFRS 16.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The functional currencies of Kar Info International is HK$ and the functional currency of the Target Company is Renminbi ("**RMB**"). The Historical Financial Information is presented in Renminbi ("**RMB**") to enable the financial statement users to have a more accurate picture of the financial performance of Property Development Project.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

(c) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (see note 2(e)(ii)). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Operation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in profit or loss during the financial period in which they are incurred.

Gain or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment using the straight-line method over their estimated useful lives as follows:

• Fixtures	5 years
• Furniture, tools and computer equipment	3-5 years
• Motor vehicles	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(d) Leased assets

At inception of a contract, the contract is assessed of whether it is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 April 2019

Where the contract contains lease component(s) and non-lease component(s), non-lease components are not separated and the lease component and any associated non-lease components are accounts as a single lease component for all leases.

At the lease commencement date, a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets, is recognised. When a lease in respect of a low-value asset is entered, it is decided on a lease-by-lease basis on whether to capitalise the lease in the Historical Financial Information. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(c) and 2(e)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether it will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consolidation for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In the case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective rate of the modification.

Right-of-use assets that do not meet the definition of investment property are presented in 'property, plant and equipment' and lease liabilities are presents separately in the combined statement of financial position.

(B) Policy applicable prior to 1 April 2019

As a lessee, leases are classified as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Target Operation. Leases which did not transfer substantially all the risks and rewards of ownership to the Target Operation were classified as operating leases.

Where the Target Operation had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(e) Credit losses and impairment of assets

(i) Credit losses from financial instruments

A loss allowance for expected credit losses ("**ECLs**") are recognised on the following items:

- financial assets measured at amortised cost (including cash and bank deposits, other receivables and amount due from a related party); and

- financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present values of all expected cash shortfalls (i.e. the difference between the cash flows due to the Target Operation in accordance with the contract and the cash flows that expected to be received by the Target Operation).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Operation is exposed to credit risk.

In measuring ECLs, reasonable and supportable information that is available without undue cost or effort are taken into account. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the historical credit loss experience of the Target Operation, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, a loss allowance equal to 12-month ECLs is recognised unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the risk of default occurring on the financial instrument assessed at the reporting date is compared with that assessed at the date of initial recognition. In making this reassessment, a default event are considered as occur when (i) the borrower is unlikely to pay its credit obligations in full, without recourse by the Target Operation to actions such as realising security (if any is held) or (ii) the financial asset is 90 days past due. Both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort are considered.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractual due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. An impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount is recognised through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(p)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, a financial asset is assessed whether it is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;

- a breach of contract, such as a default or past due event;

- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the debtor is determined as not having assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

- *Calculation of the recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(f) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process.

Inventories are carried at the lower of cost and net realisable value as follows:

(i) Property development

- *Property under development for sale*

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads and borrowing costs capitalised (see note 2(r)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

- *Completed property held for sale*

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square meter basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(g) Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Kar Info International undertakes its activities in the Property Development Project under a joint operation, and as a joint operator, recognised its interest in relation to the joint operation:

- its share of any assets held jointly;
- its share of any liabilities incurred jointly;
- its share of revenue from the sale of the output by the joint operation; and
- its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to its interest in a joint operation are accounted in accordance with HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When an entity transacts with a joint operation in which an entity is a joint operator (such as a sale or contribution of assets), the Target Operation is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Historical Financial Information only to the extent of other parties' interests in the joint operation. (see note 11 for further details related to Kar Info International's joint operation arrangement).

(h) Trade and other receivables

A receivable is recognised when the Target Operation has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Target Operation has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(i)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(e)(i)).

(i) Contract assets and contract liabilities

A contract asset is recognised when revenue is recognised (see note 2(p)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2(e)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(h)).

A contract liability is recognised when the customer pays non-refundable consideration before the related revenue is recognised (see note 2(p)). A contract liability would also be recognised if the Target Operation has an unconditional right to receive non-refundable consideration before the recognition of the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(h)).

For a single contract with the customers, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(p)).

(j) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expenses is recognised in accordance with the accounting policy for borrowing costs (see note 2(r)).

(k) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the cash management are also included as a component of cash and cash equivalents for the purpose of the combined cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(e)(i).

(m) Employee benefits

(i) Employee leave entitlement

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Target Operation operates a defined contribution plan under which the Target Operation pays fixed contributions into a separate entity on a mandatory, contractual or voluntary basis. The Target Operation has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Other compensations

Other directors' and employees' compensations are recorded as a liability and charged to profit or loss when the Target Operation is contractually obliged or when there is a past practice that has created a constructive obligation and the associated services are rendered by the employees.

(n) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Target Operation controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target Operation has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, it is intended either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognised when the Target Operation has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue and other income

Income is classified as revenue when it arises from the sale of goods or the use by others of the Target Operation's assets under leases in the ordinary course of the business.

Revenue is recognised when control over a product is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Target Operation is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Target Operation, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. Practical expedient in paragraph 63 of HKFRS 15 has been taken advantage and the consideration for any effects of a significant financing component are not adjust if the period of financing is 12 months or less.

Further details of the revenue and other income recognition policies are as follows:

(i) Sales of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are contract liabilities (see note 2(i)), which is included in the combined statements of financial position under other payables and accruals.

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(e)(i)).

(iii) Investment receipt income

Pursuant to the Joint Operation Agreement, Massive Era agreed to participate in the Property Development Project by making an investment in the amount of HK$140,000,000 (the "**Investment Receipt**") (approximately RMB116,667,000 at 1 August 2016) (also see note 11).

The above represents in substance a sale of Kar Info International's share of interest in the underlying properties under development as part of the ordinary activities of Kar Info International in the property development business. However, as Kar Info International is contingently liable to return a portion of the Investment Receipt to Massive Era based on the percentage of unsold saleable area at the expiry of the Joint Operation Agreement, the remaining risks and rewards of the share of related properties under development were not substantially transferred to Massive Era initially and, therefore, the Target Operation deferred the associated revenue recognition at the commencement of the joint operation. The deferred revenue from joint operation arrangement would be recognised as revenue ratably as such risks and rewards were subsequently transferred, based on saleable area of properties sold throughout the Relevant Periods.

(q) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the Historical Financial Information are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currencies of Kar Info International is HK$ and the functional currency of the Target Company is Renminbi ("**RMB**"). The Historical Financial Information is presented in Renminbi ("**RMB**") to enable the financial statement users to have a more accurate picture of the financial performance of Property Development Project.

(ii) Transactions and balances

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which such non-monetary assets or liabilities are initially recognised. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations with functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are in capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) Related parties

(a) A person, or a close member of that person's family, is related to the Target Operation if that person:

(i) has control or joint control over the Target Operation;

(ii) has significant influence over the Target Operation; or

(iii) is a member of the key management personnel of the Target Operation or the Target Operation's parent.

(b) An entity is related to the Target Operation if any of the following conditions applies:

(i) The entity and the Target Operation are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Operation or an entity related to the Target Operation.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Operation or to the Target Operation's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Operation makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future years are discuss below.

(a) Income taxes and other regulatory provisions

The Target Operation is subject to Corporate Income Tax ("**CIT**"), Land Appreciation Tax ("**LAT**") in the PRC. There are transactions for which the ultimate determination of such provisions is uncertain during the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax, deferred tax and other regulatory provisions in the period in which such determination is made.

4 REVENUE

	Years ended 31 March			**Six months ended 30 September**	
	2019	**2020**	**2021**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Sales of properties	171,072	240,889	243,635	159,836	26,265
Investment receipt income	30,761	40,267	39,032	26,683	—
	201,833	281,156	282,667	186,519	26,265

The principal activity of the Target Operation is the real estate development of Phase 3 of Castfast villas.

During the Cooperation Period under the Joint Operation Agreement, revenue represents the share of 50% revenue from sale of properties, net of sales related taxes and discounts allowed, and is recognised based on point in time. The deferred revenue from joint operation arrangement would be recognised as revenue ratably as such risks and rewards were subsequently transferred, based on saleable area of properties sold throughout the Relevant Periods. Further details are discussed in note 2(p)(iii).

As at 31 March 2019, 2020 and 2021 and 30 September 2020 and 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Target Operation's existing contracts are RMB201,169,000, RMB255,229,000, RMB108,182,000, RMB131,622,000 and RMB82,534,000 respectively. These amounts represent revenue expected to be recognised in the future from pre-completion sales contracts for properties under development. The Target Operation will recognise the expected revenue in future when the properties are accepted by the customer, or deemed as accepted according to the contract, whichever is earlier.

For the years ended 31 March 2019, 2020 and 2021 and for the six months ended 30 September 2020 and 2021, the Target Operation's customer base is diversified and does not have a customer with whom transactions have exceeded 10% of the Target's revenue.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs/(income), net

	Years ended 31 March			Six months ended 30 September	
	2019	**2020**	**2021**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Finance costs					
— Interest expense on the bank borrowings	6,235	4,000	—	—	—
Less: Interest expenses capitalised into property under development for sale *(Note)*	(4,456)	—	—	—	—
	1,779	4,000	—	—	—
Finance income					
— Bank interest income	—	(6,231)	(5,884)	(2,388)	(2,519)
Finance costs/(income), net	1,779	(2,231)	(5,884)	(2,388)	(2,519)

Note: The borrowing costs have been capitalised at a rate of 2.35% for the year ended 31 March 2019. There is no interest capitalised into property under development for the years ended 31 March 2020 and 2021 and for the six months ended 30 September 2020 and 2021.

(b) Staff costs

	Years ended 31 March			Six months ended 30 September	
	2019	**2020**	**2021**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Wages and salaries	2,701	2,327	2,113	1,109	1,362
Contributions to defined contribution retirement plan	160	127	64	22	99
Less: staff costs capitalised into property under development for sale	(845)	—	—	—	—
	2,016	2,454	2,177	1,131	1,461

The Target Operation operating in Mainland China participate in defined contribution retirement benefit schemes (the "**Schemes**") organized by the PRC municipal and provincial government authorities, whereby the Target Operation operated in Mainland China is required to make contribution at the rates required by different local government authorities. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

(c) Other items

	Years ended 31 March			Six months ended 30 September	
	2019	**2020**	**2021**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Depreciation of property, plant and equipment *(note 10)*	107	122	90	53	46
Cost of properties sold *(note 12(a))*	49,601	69,155	80,651	50,623	7,004

Auditor's remuneration for the statutory audit of the Target Company's financial statements of RMB54,000, RMB110,000, RMB111,000, RMB55,000 and RMB55,000 for the years ended 31 March 2019, 2020 and 2021 and for the six months periods ended 30 September 2020, and 2021 respectively were borne by Mr. Ho whom has waived his rights of recovery thereof.

6 INCOME TAX IN THE COMBINED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the combined statements of profit or loss represents:

	Years ended 31 March			Six months ended 30 September	
	2019	**2020**	**2021**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current taxation					
Taxes in Mainland China					
— provision for CIT	58,905	81,493	84,988	54,441	4,952
— provision for LAT	43,438	67,501	69,293	46,027	7,221
	102,343	148,994	154,281	100,468	12,173
Deferred tax credit	(21,719)	(33,751)	(34,646)	(23,014)	(1,805)
Income tax charge	80,624	115,243	119,635	77,454	10,368

(i) CIT

The provision for CIT is calculated at 25% based on the estimated taxable income for the Target Company operated in Mainland China during the Relevant Periods. Under the Joint Operation Agreement, the Target Operation bears all CIT liabilities arising from the Property Development Project.

(ii) LAT

LAT is levied on properties developed by the Target Operation 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 lease charges of land use rights, borrowing costs and relevant property development expenditure.

(iii) Pursuant to the rules and regulations of the BVI, the Target Operation is not subject to any income tax in the BVI.

(b) Reconciliation between tax expenses/(credit) and accounting profit at applicable tax rates:

	Years ended 31 March			**Six months ended 30 September**	
	2019	**2020**	**2021**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before taxation	144,568	198,072	189,241	127,913	19,803
Less: LAT	(43,438)	(67,501)	(69,293)	(46,027)	(7,221)
Profit before taxation less LAT	101,130	130,571	119,948	81,886	12,582
Notional tax calculated at applicable income tax rate	25,283	32,644	29,987	20,472	3,146
Income not subject to taxation	(7,689)	(10,067)	(9,758)	(6,671)	—
Expenses not deductible for taxation purposes	1	1	3	3	—
Impact of CIT resulting from the profit before taxation shared by Massive Era *(note (i))*	30,452	42,040	46,789	29,130	—
Impact of LAT shared by Massive Era *(note (ii))*	(10,861)	(16,876)	(17,323)	(11,507)	—
Others	—	—	644	—	2
CIT	37,186	47,742	50,342	31,427	3,148
LAT	43,438	67,501	69,293	46,027	7,220
Income tax expense	80,624	115,243	119,635	77,454	10,368

Notes:

(i) Impact of CIT resulting from the profit before taxation shared by Massive Era

Under the Joint Operation Agreement, the CIT that arising from the Property Development Project would not be shared with Massive Era and will be fully bearable by the Target Operation. The balance represents the estimated CIT payable that arising from the profit before taxation shared by Massive Era.

(ii) Impact of LAT shared by Massive Era

Under the Joint Operation Agreement, as the CIT that arising from the Property Development Project would not be shared with Massive Era and will be fully bearable by the Target Operation, the Target Operation would entitle to claim the LAT shared by Massive Era as tax deductible. The balance represents the estimated tax deductible arising from the LAT shared by Massive Era, which was taken into consideration in the computation of CIT.

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation are as follows:

	For the year ended 31 March 2019			
	Fees	**Salaries**	**Employer's contributions to retirement plans**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors (Kar Info International)				
Mr. Ho Cheuk Fai	—	—	—	—
Ms. Ho Po Chu	—	—	—	—
Executive directors (Target Company)				
Ms. Hu Chunxian* (胡春嫻)	—	—	—	—
Mr. Ho Wai Hon, Brian	—	—	—	—
Mr. Cheung Man Fung* (張文豐) (appointed on 27 October 2021)	—	—	—	—
Mr. Xia Chun* (夏春) (resigned on 27 October 2021)	—	51	1	52
	—	51	1	52

* *For identification only*

	For the year ended 31 March 2020			
	Fees	Salaries	Employer's contributions to retirement plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors (Kar Info International)				
Mr. Ho Cheuk Fai	—	—	—	—
Ms. Ho Po Chu	—	—	—	—
Executive directors (Target Company)				
Ms. Hu Chunxian* (胡春嫻)	—	—	—	—
Mr. Ho Wai Hon, Brian	—	—	—	—
Mr. Cheung Man Fung* (張文豐) (appointed on 27 October 2021)	—	—	—	—
Mr. Xia Chun* (夏春) (resigned on 27 October 2021)	—	61	5	66
	—	61	5	66

	For the year ended 31 March 2021			
	Fees	Salaries	Employer's contributions to retirement plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors (Kar Info International)				
Mr. Ho Cheuk Fai	—	—	—	—
Ms. Ho Po Chu	—	—	—	—
Executive directors (Target Company)				
Ms. Hu Chunxian* (胡春嫻)	—	—	—	—
Mr. Ho Wai Hon, Brian	—	—	—	—
Mr. Cheung Man Fung* (張文豐) (appointed on 27 October 2021)	—	—	—	—
Mr. Xia Chun* (夏春) (resigned on 27 October 2021)	—	16	—	16
	—	16	—	16

* *For identification only*

	For the six months ended 30 September 2020 (unaudited)			
	Fees	**Salaries**	**Employer's contributions to retirement plans**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors (Kar Info International)				
Mr. Ho Cheuk Fai	—	—	—	—
Ms. Ho Po Chu	—	—	—	—
Executive directors (Target Company)				
Ms. Hu Chunxian* (胡春嫻)	—	—	—	—
Mr. Ho Wai Hon, Brian	—	—	—	—
Mr. Cheung Man Fung* (張文豐) (appointed on 27 October 2021)	—	—	—	—
Mr. Xia Chun* (夏春) (resigned on 27 October 2021)	—	16	—	16
	—	16	—	16

	For the six months ended 30 September 2021			
	Fees	**Salaries**	**Employer's contributions to retirement plans**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors (Kar Info International)				
Mr. Ho Cheuk Fai	—	—	—	—
Ms. Ho Po Chu	—	—	—	—
Executive directors (Target Company)				
Ms. Hu Chunxian* (胡春嫻)	—	—	—	—
Mr. Ho Wai Hon, Brian	—	—	—	—
Mr. Cheung Man Fung* (張文豐) (appointed on 27 October 2021)	—	—	—	—
Mr. Xia Chun* (夏春) (resigned on 27 October 2021)	—	—	—	—
	—	—	—	—

* *For identification only*

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals for the years ended 31 March 2019, 2020 and 2021 and for the six months ended 30 September 2020 and 2021 are all non-directors of the Target Operation. The aggregate of the emoluments in respect of the non-directors included in the five highest paid individuals are as follows:

	Years ended 31 March			Six months ended 30 September	
	2019	**2020**	**2021**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries and other emoluments	862	936	1,085	506	494
Contributions to retirement benefit scheme	21	17	15	8	8
	883	953	1,100	514	502

The emoluments of these individuals with the highest emoluments are within the following bands:

	Years ended 31 March			Six months ended 30 September	
	2019	**2020**	**2021**	**2020**	**2021**
				(unaudited)	
HK$Nil — HK$ 1,000,000	5	5	5	5	5

9 EARNINGS PER SHARE

Earnings per share information is not presented as if inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Target Operation for the Relevant Periods on the basis as disclosed in note 1.

10 PROPERTY, PLANT AND EQUIPMENT

	Furniture tools, and computer equipment *RMB'000*	Motor vehicles *RMB'000*	Fixtures *RMB'000*	Total *RMB'000*
Cost:				
At 1 April 2018, 31 March 2019, 1 April 2019, 31 March 2020, 1 April 2020, 31 March 2021, 1 April 2021 and 30 September 2021	390	579	83	1,052
Accumulated depreciation:				
At 1 April 2018	112	193	20	325
Depreciation for the year *(note (i))*	114	86	14	214
At 31 March 2019 and 1 April 2019	226	279	34	539
Depreciation for the year *(note (i))*	111	116	17	244
At 31 March 2020 and 1 April 2020	337	395	51	783
Depreciation for the year *(note (i))*	53	111	16	180
At 31 March 2021 and 1 April 2021	390	506	67	963
Depreciation for the period *(note (i))*	—	39	7	46
At 30 September 2021	390	545	74	1,009
Net book value:				
At 31 March 2019	164	300	49	513
At 31 March 2020	53	184	32	269
At 31 March 2021	—	73	16	89
At 30 September 2021	—	34	9	43

Note:

(i) As discussed in note 1(a) and note 11, Kar Info International were entitled to share 50% of the revenue and expenses of the Property Development Project throughout the Cooperation Period. Accordingly, only 50% of the depreciation with amounts of RMB107,000, RMB122,000, RMB90,000 and RMB53,000 were charged to the profit or loss of the Target Operation for the years ended 31 March 2019, 2020 and 2021 and for the six months ended 30 September 2020 (see note 5(c)).

11 INTERESTS IN A JOINT OPERATION IN RESPECT OF A PROPERTY DEVELOPMENT PROJECT

As mentioned in note 1, Kar Info International has undertaken a joint operation with Massive Era by way of the Joint Operation Agreement on 1 August 2016, whereby Massive Era agreed to participate in the Property Development Project by making an investment in the amount of HK$140,000,000 (the "**Investment Receipt**") (approximately RMB116,667,000 at 1 August 2016) in consideration to it being entitled to share the control over and the returns from the sales of the Property Development Project, whilst the Target Company agreed to contribute the land for the Property Development Project, as its consideration in this joint operation arrangement. According to the Joint Operation Agreement, the Target Operation accounted for the assets, liabilities, revenues and expenses relating to its interest in the Property Development Project as a joint operation during the Cooperation Period.

The details of the joint operation are as follows:

Location	**Land Use**	**Total gross floor area** *(m^2)*	**Completion date (calendar year)**
Phase 3, Castfast Villas, Fenggang Town, Dongguan City, Guangdong Province, the PRC	Residential	61,730	2018/19

Other key terms of the Joint Operation Agreement are summarised below:

— Kar Info International were entitled to share 50% of the revenue and expenses of the Property Development Project throughout the Cooperation Period, except for the CIT which would be entirely bearable by the Target Operation as stipulated in the Joint Operation Agreement.

— Under the Joint Operation Agreement, Kar Info International would return portion of the Investment Receipts to Massive Era, calculated based on percentage of unsold unit at the expiry of the Joint Operation Agreement (i.e. 22 March 2021). The Target Operation recognised the Investment Receipt as deferred revenue at commencement of the joint operation. The Investment Receipt is recognised as revenue based on the saleable area of properties recognised throughout the Relevant Periods. For further details, please refer to note 2(p)(iii).

— Upon expiry of the Joint Operation Agreement, all unsold units (the "**Remaining Units**") are to be retained by the Target Operation at cost. There were 44 unsold units at the expiry of the joint operation arrangement, which amounted to RMB38,922,000 as at 31 March 2021. Massive Era no longer share any interest in the Property Development Project. The Target Operation continues to sell the Remaining Units in the ordinary course of its business.

The final settlement of joint operation arrangement between the Target Operation and Massive Era have been determined taken into consideration of the above.

12 INVENTORIES

	As at 31 March			As at 30 September
	2019	**2020**	**2021**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Completed properties for sale	144,314	95,521	38,922	31,918

During the Cooperation period, the Target Operations accounted for the properties at its 50% shared interest. Upon expiry of the Joint Operation Agreement at 22 March 2021, the Target Operations has full ownership of the Remaining Units (see note 11).

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Years ended 31 March			Six months ended 30 September	
	2019	**2020**	**2021**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Carrying amount of properties sold	49,601	69,155	80,651	50,623	7,004

(b) At 31 March 2019, certain of the Target Operation's inventories were pledged for bank borrowings as disclosed in note 15.

(c) The analysis of carrying value of land held for property development for sale is as follows:

	As at 31 March			As at 30 September
	2019	**2020**	**2021**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
In the PRC				
— More than 50 years	38,248	22,910	7,818	6,130

13 OTHER RECEIVABLES

All other receivables are expected to be recovered within one year as at 31 March 2019, 2020 and 2021 and 30 September 2021 respectively.

14 CASH AND BANK DEPOSITS

(a) Cash and bank deposits comprise:

	As at 31 March			As at 30 September
	2019	**2020**	**2021**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted deposits	38,291	—	—	—
Cash at bank and on hand	82,029	129,261	205,149	82,985
Cash and cash equivalents	120,320	129,261	205,149	82,985
Deposits with banks with more than three months to maturity when placed	90,000	—	—	—
Cash and bank deposits	210,320	129,261	205,149	82,985

The restricted deposits represent the pre-sale proceeds to secure the future payments of the Target Operation's property development projects. Such restricted deposits will be released for the payments for construction costs of the related property development projects or upon completion of the construction.

The remittance of bank balances of RMB210,232,000, RMB125,641,000, RMB203,260,000 and RMB82,261,000 as at 31 March 2019, 2020 and 2021 and 30 September 2021 respectively placed with banks in Mainland China are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC Government.

(b) Reconciliation of profit before taxation to cash used in operations:

		Years ended 31 March			**Six months ended 30 September**	
		2019	**2020**	**2021**	**2020**	**2021**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation		144,568	198,072	189,241	127,913	19,803
Finance costs	*5(a)*	1,779	4,000	—	—	—
Finance income	*5(a)*	—	(6,231)	(5,884)	(2,388)	(2,519)
Depreciation	*5(c)*	107	122	90	53	46
Changes in working capital:						
Decrease in inventories		39,987	48,793	56,599	41,337	7,004
Decrease in other receivables		23,971	9,209	141	66	10
(Increase)/decrease in amounts due from a related party		(172,318)	(204,326)	(7,310)	13,381	(9,454)
Increase/(decrease) in amount due to a related party		165,018	158,588	76,189	64,825	(107,577)
Increase/(decrease) in other payables and accruals		15,174	(4,377)	(125,792)	(82,443)	(3,179)
Cash generated from/(used in) operations		218,286	203,850	183,274	162,744	(95,866)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Target Operation's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Target Operation's combined cash flow statements as cash flows from financing activities.

	Bank borrowings *RMB'000* *(Note 15)*
At 1 April 2018	190,000
Change from financing cash flows:	
Interest paid	(12,470)
Total change from financing cash flows	(12,470)
Other changes:	
Interest expenses *(note 5(a))*	1,779
Capitalised borrowing costs *(note 5(a))*	4,456
Interest expenses shared by Massive Era *(note (i))*	6,235
Total other changes	12,470
At 31 March 2019 and 1 April 2019	190,000
Changes from financing cash flows:	
Repayment of bank borrowings	(190,000)
Interest paid	(8,000)
Total changes from financing cash flows	(198,000)
Other changes:	
Interest expenses *(note 5(a))*	4,000
Interest expenses shared by Massive Era *(note (i))*	4,000
Total other changes	8,000
At 31 March 2020, 1 April 2020, 30 September 2020, 31 March 2021, 1 April 2021 and 30 September 2021	—

Note:

(i) As discussed in note 1(a) and note 11, Kar Info International was entitled to share 50% of the revenue and expenses of the Property Development Project throughout the Cooperation Period. Accordingly, only 50% of the interest expenses with amounts of RMB1,779,000 and RMB4,000,000 were charged to the profit or loss of the Target Operation for the years ended 31 March 2019 and 2020, and RMB4,456,000 were capitalised into the property under development of the Target Operation during the year ended 31 March 2019 (see note 5(a)).

15 BANK BORROWINGS

	As at 31 March			As at 30 September
	2019	**2020**	**2021**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	190,000	—	—	—

At 31 March 2019, all of the bank borrowings were secured by the inventories of RMB144,314,000, such facilities were utilized to extent of RMB190,000,000 as at 31 March 2019.

All of the bank borrowings are repayable within one year.

16 OTHER PAYABLES AND ACCRUALS

	As at 31 March			As at 30 September
	2019	**2020**	**2021**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accruals	33,102	38,287	5,951	1,804
Deferred revenue from joint operation arrangement *(note 11)*	87,883	52,911	—	—
Contract liabilities *(see note (a) below)*	41,436	72,141	29,822	30,790
	162,421	163,339	35,773	32,594

All of the other payables 31 March 2019, 2020 and 2021 and 30 September 2021, apart from the deferred revenue from joint operation arrangement and the contract liabilities as disclosed in note 16(a), are expected to be settled within one year.

Note:

(a) Contract liabilities

The balance represents the receipts in advance received by the Target Operation from customers when they sign the sale and purchase agreement. These receipts in advance are recognised as contract liabilities (see note 2(i)) until the properties is completed and accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the control of the completed property is transferred to the customer that results in recognising of revenue.

Movements of contract liabilities:

		As at 31 March		As at 30 September
	2019	**2020**	**2021**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	38,430	41,436	72,141	29,822
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(29,405)	(32,774)	(68,142)	(10,602)
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year/period	32,411	63,479	25,823	11,570
At the end of the year/period	41,436	72,141	29,822	30,790

The amount of receipts in advance expected to be recognised as revenue after more than one year are RMB9,025,000, RMB8,662,000, RMB3,999,000 and RMBNil respectively as at 31 March 2019, 2020 and 2021 and 30 September 2021.

17 INCOME TAX IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the combined statements of financial position represents:

		As at 31 March		As at 30 September
	2019	**2020**	**2021**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current tax payable				
Provision for CIT	58,904	71,574	77,381	54,763
Provision for LAT	76,718	197,403	321,900	327,873
	135,622	268,977	399,281	382,636

(b) Deferred tax assets recognised:

The components of deferred tax assets recognised in the combined statements of financial position and the movements during the year/period are as follows:

	Accrual for LAT
	RMB'000
Deferred tax arising from:	
At 1 April 2018	—
Credited to profit or loss *(note 6(a))*	21,719
At 31 March 2019 and 1 April 2019	21,719
Credited to profit or loss *(note 6(a))*	33,751
At 31 March 2020 and 1 April 2020	55,470
Credited to profit or loss *(note 6(a))*	34,646
At 31 March 2021 and 1 April 2021	90,116
Credited to profit or loss *(note 6(a))*	1,805
At 30 September 2021	91,921

18 CAPITAL, RESERVES AND DISTRIBUTION

(a) Share capital

The share capital of the Target Operation as of 31 March 2019, 2020 and 2021 and 30 September 2021 represented the combined share capital of Kar Info international and the Target Company which took part in the Reorganisation to form the Target Operation.

(b) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of Kar Info International from Hong Kong Dollars to RMB. The reserves are dealt with in accordance with the accounting policies set out in note 2(q).

(ii) Statutory surplus reserve

According to the PRC Company Law, the Target Company is required to transfer 10% of its profit after taxation, as determined under PRC Accounting Regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to make up for previous years' losses, if any, and may be converted into share capital by the issue of new shares to equity shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(c) Capital management

The Target Operation's objectives when managing capital are to safeguard the Target Operation's ability to continue as a going concern in order to provide returns for equity shareholders and benefits for other stakeholders and to maintain an optimal capital structure. In order to maintain or adjust the capital structure, the Target Operation may borrow new bank borrowings, adjust the amount of distribution or sell assets to reduce debt.

(d) Distribution

During the years ended 31 March 2020 and 2021, the Target Operation distributed RMB10,000,000 and RMB20,000,000 to Mr. Ho respectively. The amounts were settled as at 31 March 2020 and 2021 respectively.

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Target Operation's business.

The Target Operation's exposure to these risks and the financial risk management policies and practices used by the Target Operation to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Target Operation. The Target Operation's credit risk are primarily attributable to other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Target Operation's exposure to credit risks arising from cash and bank deposits and other financial assets are limited because these financial assets held by the Target Operation are mainly deposited in financial institutions such as commercial banks which maintain sound reputation and financial situation, for which the Target Operation considered to have low credit risk.

The Target Operation normally receives full payment from customers before the hand-over of the property. Accordingly, the Target Operation is of the view that the expected irrecoverable trade debtors were insignificant. Thus, no expected credit loss for trade receivables was recognised during the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021.

In respect of other receivables and amount due from a related party, the Target Operation has assessed that the expected credit loss is not material under the 12 months ECL method. Thus, no expected credit loss for other receivables and amount due from a related party was recognised during the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021.

The Target Operation has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined statements of financial position. Except for the financial guarantees given by the Target Operation as disclosed in note 20(a), the Target Operation does not provide any other guarantee which would expose the Target Operation to credit risk.

(b) Liquidity risk

The Target Operation's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms.

The following table details the remaining contractual maturities at the end of the reporting period of the Target Operation's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Target Operation can be required to pay:

		Contractual undiscounted cash outflow			
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**Between 1 and 2 years**	**Between 2 and 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 March 2019					
Bank borrowings	190,000	197,511	197,511	—	—
Other payables and accruals	33,102	33,102	33,102	—	—
Deferred revenue from joint operation arrangement	87,883	87,883	52,911	34,972	—
Amount due to a related party	16,520	16,520	16,520	—	—
Total	327,505	335,016	300,044	34,972	—

		Contractual undiscounted cash outflow			
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**Between 1 and 2 years**	**Between 2 and 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 March 2020					
Other payables and accruals	38,287	38,287	38,287	—	—
Deferred revenue from joint operation arrangement	52,911	52,911	52,911	—	—
Amount due to a related party	103,485	103,485	103,485	—	—
Total	194,683	194,683	194,683	—	—

	Carrying amount	Contractual undiscounted cash outflow Total contractual undiscounted cash flow	Within 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 March 2021					
Other payables and accruals	5,951	5,951	5,951	—	—
Amount due to a related party	109,467	109,467	109,467	—	—
Total	115,418	115,418	115,418	—	—

	Carrying amount	Contractual undiscounted cash outflow Total contractual undiscounted cash flow	Within 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2021					
Other payables and accruals	1,804	1,804	1,804	—	—
Amount due to a related party	2,574	2,574	2,574	—	—
Total	4,378	4,378	4,378	—	—

(c) Interest rate risk

The Target Operation's interest rate risk arises primarily from bank borrowing issued at variable rates that expose the Target Operation to cash flow interest rate risk. The Target Operation does not use financial derivatives to hedge against the interest rate risk. The Target Operation's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Target Operation's bank borrowings at the end of reporting period:

	As at 31 March						As at 30 September	
	2019		**2020**		**2021**		**2021**	
	Effective interest rate	*RMB'000*	*Effective interest rate*	*RMB'000*	*Effective interest rate*	*RMB'000*	*Effective interest rate*	*RMB'000*
Bank borrowings	6.65%	190,000	—%	—	—%	—	—%	—

(ii) Sensitivity analysis

At 31 March 2019, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Target Operation's profit after taxation and retained earnings by approximately RMB713,000.

In respect of the net exposure to cash flow interest rate risk arising from floating rate bank borrowings held by the Target Operation at the end of the reporting period, the impact on the Target Operation's profit after taxation and retained earnings is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on a consistent basis for the Relevant Periods.

The sensitivity analysis above assumes that the change in interest rates had occurred at the end of the reporting period and had been applied to all floating rate bank borrowings, without taking into account the impact of interest capitalisation.

(d) Currency risk

The Target Operation operates primarily in the PRC and most of its business transactions, assets and liabilities are denominated in RMB and Hong Kong Dollars ("**HK$**"). 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 conversion rate of RMB to foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

At 31 March 2019, 2020 and 2021 and 30 September 2021, the Target Operation has no material monetary assets nor monetary liabilities denominated in a currency other than the functional currency of the entity to which the relate.

(e) Fair value estimations

The carrying amount of the Target Operation's financial instruments carried at amortised cost were not materially different from their fair value as at 31 March 2019, 2020 and 2021 and 30 September 2021.

20 CONTINGENT LIABILITIES

(a) Guarantees

The Target Company has provided guarantees to banks to secure the mortgage arrangements of certain property buyers. At 31 March 2019, 2020 and 2021 and 30 September 2021, the outstanding guarantees to the banks amounted to RMB244,180,000, RMB543,530,000, RMB286,370,000 and RMB128,620,000, which will be released upon the completion of the transfer procedures with the property buyers in respect of the legal title of the properties.

The directors do not consider the Target Operation will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers have default payment. The Target Operation has not recognised any deferred revenue in respect of these guarantees as its fair value is considered to be insignificant.

21 MATERIAL RELATED PARTIES TRANSACTIONS

In addition to the related parties information disclosed elsewhere in this Historical Financial Information, the Target Operation entered into the following material related parties transactions.

(a) Name and relationship with related parties

Name of the party	Relationship with the Target Operation
Mr. Ho	Owner of the Target Operation, the director of Kar Info International and the key management personal of the Target Operation

Name of the party	Relationship with the Target Operation
Karrie International Holdings Limited	A listed company on the Hong Kong Stock Exchange which is ultimately controlled by Mr. Ho
Ms. Ho Po Chu	The director of Kar Info International and the key management personal of the Target Operation
Mr. Ho Wai Hon, Brian	Son of Mr. Ho and, the director of the Target Company and the key management personal of the Target Operation
Mr. Xia Chun* (夏春)	The director of the Target Company and the key management personal of the Target Operation. He resigned as the director of the Target Company on 27 October 2021
Mr. Cheung Man Fung (張文豐)	The director of the Target Company who was appointed on 27 October 2021.
Ms. Hu Chunxian* (胡春嫻)	The director of the Target Company and the key management personal of the Target Operation
Mr. Tan Kai* (譚凱)	Key management personal of the Target Operation
Dongguan Jiale	A limited liability company in PRC which has been established as a result of the Corporate Division
Kar Info Property Limited	A limited company in Hong Kong which was a wholly-owned subsidiary of Kar Info International and the immediate parent of the Target Company before the reorganisation
Massive Era Limited	A wholly-owned subsidiary of the Company and the joint operator of the joint operation as disclosed in note 11

* *For identification only*

(b) Transactions with key management personnel

Remuneration for key management personnel of the Target Operation are as follows:

	Years ended 31 March			Six months ended 30 September	
	2019	**2020**	**2021**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Short-term employee benefits	288	379	389	198	177
Retirement scheme contributions	6	11	6	3	3
	294	390	395	201	180

(c) Transactions with related parties

	Years ended 31 March			Six months ended 30 September	
	2019	**2020**	**2021**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Sales to related parties *(note (i))*	—	2,325	1,853	1,069	—
Construction cost to related parties *(note (ii))*	—	20,362	318	—	—

Note:

(i) The amount represents the 50% of the proceeds shared by the Target Operation from the sales of properties under the cooperation agreement as disclosed in note 11.

(ii) The amount represents the 50% of the payment bearable by the Target Operation from the construction of properties under the cooperation agreement as disclosed in note 11.

(d) Balances with related parties

	As at 31 March			As at 30 September
	2019	**2020**	**2021**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from a related party *(note (i))*	223,985	436,940	435,621	443,784
Amount due to Massive Era arising from joint operation	16,520	103,485	109,467	2,574

Note:

(i) The amount represents the amount due from Dongguan Jiale, a new entity which has been established as a result of the Corporate Division as mentioned in note 1(a). Dongguan Jiale is wholly-owned by Mr. Ho upon the completion of Corporate Division. The amount was paid by the Target Company prior to the Corporate Division to support the ordinary business of Dongguan Jiale. Subsequent to 30 September 2021, RMB167,506,000 has been settled in cash. The remaining RMB276,278,000 outstanding as of the date of this report has agreed to be an offset to the Company's consideration for this Acquisition, as Mr. Ho is the beneficial of both the Target Operation and Dongguan Jiale.

The amounts due from/to related parties are unsecured, interest-free and recoverable/repayable on demand.

The directors of the Company confirm that all of the amounts due from/to related parties will be recovered/repaid before the acquisition by the Company or offset as consideration when the Target Operation is acquired by the Company.

22 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information. The amendments, new standards and interpretations comprise of the following.

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2018-2020	1 January 2022
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to HKAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to HKAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023

The Target Operation is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Operation in respect of any period subsequent to 30 September 2021.

This discussion of the financial position and results of operations of the Target Operation is based upon and should be read in conjunction with the Accountants' Report on the Target Operation set out in Appendix I to this circular.

Pursuant to the Joint Operation Agreement, the Target Operation accounted for 50% shared interest of Phase 3 of Castfast Villas during the cooperation period, i.e. the period from 22 December 2016 to 22 Mar 2021. Upon expiry of the Joint Operation Agreement at 22 March 2021, the Target Operations has full ownership of the Remaining Units.

The following sets forth the management discussion and analysis of the Target Operation for the years ended 31 March 2019, 2020 and 2021, and for the six months ended 30 September 2021, respectively (the "**Relevant Periods**").

Financial and Business Performance

Revenue

The Target Operation recorded revenue of approximately RMB201.8 million, RMB281.2 million, RMB282.7 million and RMB26.3 million for the Relevant Periods, respectively. The revenue of the Target Operation is mainly derived from the sales of residential properties of Phase 3 of Castfast Villas and the investment receipt income from Joint Operation Agreement. During the Relevant Periods, the revenue from the sales of properties of Phase 3 of Castfast Villas is approximately RMB171.1 million, RMB240.9 million, RMB243.6 million and RMB26.3 million, respectively. As at 30 September 2021, 570 out of 605 residential properties of Phase 3 of Castfast Villas has been sold and recognized as revenue during the Relevant Periods.

The revenue from sale of properties increased from RMB171.1 million to RMB240.9 million from the year ended 31 March 2019 to the year ended 31 March 2020 is mainly attributable to the completion of transfer of a majority of residential properties to the customers during the year ended 31 March 2020. The total revenue for the year ended 31 March 2021 was slightly increased to approximately RMB243.6 million. The total revenue for the six months ended 30 September 2021 was recorded RMB26.3 million. Given that over 92% of the residential units were already sold as at 31 March 2021, only nine residential units were sold during the six months ended 30 September 2021, contributing to the significant decrease in revenue recorded during the period. As at 30 September 2021, Phase 3 of Castfast Villas has thirty-five unsold residential units.

During the cooperation period under the Joint Operation Agreement, the revenue related to the Investment Receipt from Massive Era were RMB30,761,000, RMB40,267,000, RMB39,032,000 and RMB Nil for the three years ended 31 March 2019, 2020, and 2021 and the six months ended 30 September 2021 respectively. The Investment Receipt is recognised as revenue based on the saleable area of properties recognised throughout the cooperation period.

Cost of sales

The cost of sales mainly represents the cost of properties transferred to the customers. The cost of sales for the Relevant Periods were approximately RMB49.6 million, RMB69.2 million, RMB80.7 million and RMB7.0 million respectively. The fluctuation of cost of sales are in line with the changes in revenue for the Relevant Periods.

Selling expenses

Selling expenses for the Relevant Periods were approximately RMB2.6 million, RMB12.1 million, RMB12.4 million and RMB0.3 million, respectively. The selling and distribution expenses mainly include advertising expenses, commission paid and staff cost incurred by the selling and marketing department. The increase in the selling expenses from the year ended 31 March 2019 to the year ended 31 March 2020 and 2021 was mainly due to the higher commission rate offered to sales agents. For the decrease in the selling expenses for the six months ended 30 September 2021 compared to the same period in 2020 was mainly due to decrease in the advertising expenses as a majority of the properties of Phase 3 of Castfast Villas had been sold in previous periods.

General and administrative expenses

General and administrative expenses for the Relevant Periods were approximately RMB3.3 million, RMB4.1 million, RMB6.3 million and RMB1.7 million, respectively. The general and administrative expenses mainly include staff cost of the back-office departments, social security insurance and other local taxes. The increase in the general and administrative expenses during the Relevant Periods was because of the increase in management expenses. The reduction for the six months ended 30 September 2021 compared to the same period in 2020 was as a result of the majority of units sold in previous periods.

Finance costs

Finance costs represented interest on borrowings which charged to the combined statements of profit or loss. During the Relevant Periods, the finance costs included (i) approximately RMB1.8 million and RMB4.0 million was incurred for the interest on borrowings for the years ended 31 March 2019 and 2020, respectively; and (ii) approximately RMB4.5 million and RMB Nil was capitalised to properties under development based on the amount of borrowings incurred in relation to the construction of properties for the years ended 31 March 2019 and 2020, respectively. No finance cost was incurred during the year ended 31 March 2021 and the six months ended 30 September 2021 as the bank loan was fully repaid during the year ended 31 March 2020.

Finance income

Finance income mainly refers to the interest income from the cash balance deposited in the bank. The Target Operation recorded finance income of approximately RMB Nil, RMB6.2 million, RMB5.9 million and RMB2.5 million during the Relevant Periods, respectively.

Income tax expenses

Under the Joint Operation Agreement, the Corporate Income Tax that arising from the Property Development Project will be fully bearable by the Target Operation.

Income tax expenses were approximately RMB80.6 million, RMB115.2 million, RMB119.6 million and RMB10.4 million during the Relevant Periods, respectively. The increase in the income tax expenses from the year ended 31 March 2019 compared to the year ended 31 March 2020 was mainly derived from i) the recognition of PRC corporate income tax of approximately RMB58.9 million and RMB81.5 million; and ii) the recognition of PRC land appreciation tax of approximately RMB43.4 million and RMB67.5 million for the years ended 31 March 2019 and 2020, respectively, offsetting by the deferred tax credit of approximately RMB21.7 million for the year ended 31 March 2019 and RMB33.8 million for the year ended 31 March 2020, respectively.

The Target Operation recorded an increase of income tax expenses to approximately RMB85.0 million for the year ended 31 March 2021 as the Target Operation recorded PRC land appreciation tax of approximately RMB69.3 million but offsetting by deferred tax credit of approximately RMB34.6 million. During the six months ended 30 September 2021, the Target Operation recorded corporate income tax of approximately RMB5.0 million, PRC land appreciation tax of RMB7.2 million and deferred tax credit of approximately RMB1.8 million, respectively. Income tax expenses and deferred tax can be referred to Note 6 in the Accountants' Report.

Net Profit after Income Tax Expenses

As a result of the forgoing factors, the Target Operation recorded net profit after income tax expenses of approximately RMB63.9 million for the year ended 31 March 2019. Due to the recognition of revenue of approximately RMB281.2 million during the year ended 31 March 2020, the Target Operation recorded net profit after income tax expenses of approximately RMB82.8 million. During the year ended 31 March 2021, the Target Operation recorded net profit after income tax expenses of approximately RMB69.6 million. During the six months ended 30 September 2020 and 2021, the Target Operation recorded net profit after income tax expenses of approximately RMB50.5 million and RMB9.4 million, respectively.

Capital Structure, Liquidity and Financial Resources

The Target Operation finances its property development and construction work through its paid-in capital, internal resources (generated from the sale of the property units), bank borrowings and Investment Receipt from Massive Era. During the Relevant Periods, the Target Operation obtained borrowings to finance its operation. As at 31 March 2019, 2020 and 2021, and 30 September 2021, the Target Operation recorded borrowings of approximate RMB190 million, RMB Nil, RMB Nil and RMB Nil, respectively. During the years ended 31 March 2019, the borrowings are denominated in RMB and bore a floating interest rate adjusted upward by 40% based on the basic interest rate of the People's Bank of China, i.e. approximately with an annual interest rate of 6.65%. The gearing ratio as a ratio of net debt (including borrowings minus cash and bank deposits (excluding restricted deposits) over total equity, was 17%, as at 31 March 2019.

As at 31 March 2019, 2020 and 2021, and 30 September 2021, the cash and cash equivalents were denominated in RMB and was approximately RMB210.0 million, RMB129.3 million, RMB205.1 million and RMB83.0 million, respectively.

During the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021, the total current assets of the Target Operation were RMB588.1 million, RMB662.0 million, RMB679.8 million and RMB558.8 million, respectively and the total current liabilities were RMB504.6 million, RMB535.8 million, RMB544.5 million and RMB417.8 million, respectively. As at 31 March 2019, 2020 and 2021, and 30 September 2021, the current ratios were 1.17, 1.23, 1.25 and 1.34, respectively.

Segment information

The Target Operation is principally engaged in the property development in the PRC, which is considered as a single operating segment. All of the Target Operation's revenue is generated in the PRC and all of its assets are located in the PRC. Accordingly, no segment information is reported.

Charge of assets

As at 31 March 2019, 2020 and 2021, and 30 September 2021, the Target Operation recorded borrowings of approximately RMB190 million, RMB Nil, RMB Nil and RMB Nil, respectively. As at 31 March 2019, the borrowings are secured by properties under development for sale of the Target Operation.

Foreign currencies

During the years ended 31 March 2019, 2020 and 2021, and 30 September 2021, a vast majority of the business transactions, assets and liabilities of the Target Operation were denominated in RMB. Therefore, the Target Operation has minimal exposure to currency exchange risk and the Target Operation did not hold any financial instruments for hedging purposes.

Employees and Emoluments

As at 31 March 2019, 2020 and 2021 and 30 September 2021, the Target Operation had a total of 47, 54, 27 and 27 employees respectively in the PRC which included management staff, engineers, technicians and cashiers. For the years ended 31 March 2019, 2020 and 2021 and 6 months ended 30 September 2021, the total expenses on the remuneration of employees of the Target Operation were about RMB2.0 million, RMB2.5 million, RMB2.2 million and RMB1.5 million respectively.

The Target Operation's emolument policies are formulated based on the performance of individual employees, which will be reviewed periodically. Apart from the contribution retirement benefit scheme and the medical insurance, discretionary bonuses are also awarded to employees according to the assessment of their performance.

Capital commitment

As at 31 March 2019, 2020 and 2021 and 30 September 2021, there was no material capital commitment outstanding for the Target Operation.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the unaudited pro forma financial information of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") after the completion of the acquisition of Kar Info International Property Limited ("**Kar Info International**") and Dongguan City Jiaxuntong Computer Projects Limited ("**Target Company**") by the Group (the "**Acquisitions**"). The unaudited pro forma financial information presented below is prepared to illustrate the effect of the Acquisitions on the Group's assets and liabilities as at 30 September 2021 as if the Acquisitions had been taken place and had been completed on 30 September 2021.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with Paragraphs 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purpose of illustrating the effects of the Acquisitions on the Group for inclusion in this circular.

The Unaudited Pro Forma Financial Information is prepared based on (1) the unaudited consolidated financial statements extracted from the published interim report of the Group for the six months ended 30 September 2021; and (2) the combined statement of financial position of the operation of Phase 3 of Castfast Villas attributable to Kar Info International (the "**Target Operation**") as at 30 September 2021 derived from the accountants' report set out in the Appendix II to this circular, as if the Acquisitions had been completed on 30 September 2021.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimations and uncertainties. Because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisitions been completed as of the specified dates or any future dates.These pro forma adjustments are directly attributable to the Acquisitions and are not related to other future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group set out in the interim report of the Group for the six months ended 30 September 2021, the accountants' report set out in the Appendix II to this circular and other financial information contained in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

		Pro forma adjustments				
	The Group as at 30 September 2021	The Target Operation as at 30 September 2021	Other adjustments			The Enlarged Group as at 30 September 2021
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
ASSETS						
Non-current assets						
Property, plant and equipment	569,397	52	—	—	—	569,449
Investment properties	322,818	—	—	—	—	322,818
Intangible assets	5,578	—	—	—	—	5,578
Investments in an associate	20,526	—	—	—	—	20,526
Other financial assets	30,055	—	—	—	—	30,055
Other non-current assets	52,402	—	—	—	—	52,402
Deferred tax assets	1,696	110,305	—	—	—	112,001
	1,002,472	110,357	—	—	—	1,112,829
Current assets						
Inventories	611,243	—	—	—	—	611,243
Property development and contract costs	1,071,691	38,302	—	—	—	1,109,993
Trade and bills receivable	723,783	—	—	—	—	723,783
Prepayments, deposits and other receivables	80,946	134	—	—	—	81,080
Amounts due from related companies	6,151	532,541	(331,534)	—	(3,089)	204,069
Current tax recoverable	403	—	—	—	—	403
Restricted deposits	791,859	—	—	—	—	791,859
Cash and bank deposits	166,289	99,582	(45,600)	(10,512)	—	197,759
	3,452,365	670,559	(377,134)	(10,512)	(3,089)	3,732,189
Total assets	4,454,837	780,916	(377,134)	(10,512)	(3,089)	4,845,018

	The Group as at 30 September 2021	The Target Operation as at 30 September 2021	Pro forma adjustments: Other adjustments			The Enlarged Group as at 30 September 2021
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
LIABILITIES						
Current liabilities						
Trade payables	456,554	—	—	—	—	456,554
Accruals and other payables	990,367	39,113	—	—	—	1,029,480
Lease liabilities	6,184	—	—	—	—	6,184
Bank borrowings	316,949	—	—	—	—	316,949
Amount due to an associate	4,121	—	—	—	—	4,121
Amounts due to related companies	3,659	3,089	—	—	(3,089)	3,659
Current tax payable	296,984	459,164	—	—	—	756,148
	2,074,818	501,366	—	—	(3,089)	2,573,095
Non-current liabilities						
Bank borrowings	783,915	—	—	—	—	783,915
Lease liabilities	10,537	—	—	—	—	10,537
Provision for long service payments	9,149	—	—	—	—	9,149
Deferred tax liabilities	5,624	—	—	—	—	5,624
	809,225	—	—	—	—	809,225
Total liabilities	2,884,043	501,366	—	—	(3,089)	3,382,320
Net current assets	1,377,547	169,193	(377,134)	(10,512)	—	1,159,094
Total assets less current liabilities	2,380,019	279,550	(377,134)	(10,512)	—	2,271,923

Notes to the Unaudited Pro Forma Financial Information:

(1) The financial information of the Group as at 30 September 2021 is extracted from the published interim report of the Group for the six months ended 30 September 2021.

(2) The financial information of the operation of Phase 3 of Castfast Villas attributable to Kar Info International (the "**Target Operation**") as at 30 September 2021 is derived from the accountants' report as set out in Appendix II to this circular, which is converted from RMB to HKD at the exchange rate of RMB1:HKD1.20 as at 30 September

2021 for the purpose of this Unaudited Pro Forma Financial Information. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates.

(3) The adjustment represents the consideration for the Acquisitions amounting to RMB38.0 million (equivalent to approximately HKD 45.6 million) after the assumption of debt liabilities mentioned below, which will be settled in cash by the Company within 30 days of the Closing Date. The payment of the Consideration will be funded by internal resources of the Group.

Pursuant to the Agreement, the Company 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 HKD 331.5 million).

The remaining receivable balance due from the New Entity amounted to RMB167.5 million (equivalent to approximately HKD 201.4 million) was settled in October 2021.

For the purpose of this Unaudited Pro Forma Financial Information, the consideration is converted from RMB to HKD at the exchange rate of RMB1:HKD1.20 as at 30 September 2021. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates.

Since both the Group, Kar Info International and Target Company are ultimately controlled by Mr. Ho before and after the Acquisition and the control is not transitory, the Acquisitions will be accounted for using merger basis of accounting as stipulated in the Hong Kong Accounting Guideline 5, "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants. The assets and liabilities of Kar Info International and Target Company will be consolidated in the consolidated financial statements of the Enlarged Group using their existing book values.

(4) The adjustment represents the estimated transaction costs relating to the Acquisitions (including fees to legal advisers, financial adviser, reporting accountants and valuer) of HKD 2.3 million and the estimated taxes arising from and/or relating to the Acquisitions of RMB6.8 million (equivalent to approximately HKD 8.2 million) payable by the Enlarged Group. For the purpose of this Unaudited Pro Forma Financial Information, the estimated transaction costs and taxes are converted from RMB to HKD at the exchange rate of RMB1:HKD1.20 as at 30 September 2021. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates.

(5) The adjustment represent intercompany elimination between the Group, Kar Info International and the Target Company as at 30 September 2021.

(6) No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group, Kar Info International and Target Company entered into subsequent to 30 September 2021.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF KARRIE INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Karrie International Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 September 2021 and related notes as set out in Part A of Appendix IV to the circular dated 31 January 2022 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix IV to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of Kar Info International Property Limited ("**Kar Info International**") and Dongguan City Jiaxuntong Computer Projects Limited ("**Target Company**") (the "**Proposed Acquisitions**") on the Group's assets and liabilities as at 30 September 2021 as if the Proposed Acquisitions had taken place at 30 September 2021. As part of this process, information about the Group's assets and liabilities as at 30 September 2021 has been extracted by the Directors from the interim report of the Group for the six months period ended 30 September 2021, on which no review report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 September 2021 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
31 January 2022

The following is the text of a letter, summary of valuations and valuation reports prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market values in existing state of the Property of Dongguan City Jiaxuntong Computer Products Limited (東莞市嘉訊通電腦產品有限公司) in the PRC as at 30 September 2021 and 31 December 2021.*

CUSHMAN & WAKEFIELD
戴德梁行

27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

31 January 2022

The Directors
Karrie International Holdings Limited
9th Floor
Southeast Industrial Building
611–619 Castle Peak Road
Tsuen Wan
New Territories
Hong Kong

Dear Sirs,

Re: 1. The 35 unsold residential units of the 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 (as at 30 September 2021)

2. The 26 unsold residential units of the 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 (the "Property") (as at 31 December 2021)

Instructions, Purpose & Valuation Date

In accordance with the instructions for us to value the Property held by Dongguan City Jiaxuntong Computer Products Limited* (東莞市嘉訊通電腦產品有限公司) (the "**Target Company**"), a company which is indirectly wholly-owned by a Controlling Shareholder of Karrie

* *For identification only*

International Holdings Limited (the "**Company**"), in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market value in existing state of the Property as at 30 September 2021 and 31 December 2021 (the "**Valuation Date**").

Valuation as at 30 September 2021 is taken for the Equity Valuation Report in Appendix VI in the Circular.

Valuation as at 31 December 2021 is also prepared to comply Rule 5.07, Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, that the effective date as at which the property was valued must not be more than three months before the date on which the relative circular is issued.

Definition of Market Value

Our valuation of the Property represent its Market Value which in accordance with HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors ("**HKIS**") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis & Assumptions

Our valuation exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the Property situated in the PRC, with reference to the PRC Legal Opinion of the Company's PRC legal adviser, Fangda Partners (方達律師事務所), the "PRC Legal Opinion", we have prepared our valuation on the basis that transferable land use rights in respect of the Property for its specific term at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Target Company and the PRC Legal Opinion, regarding the title to the Property and the interest in the Property. In valuing the Property, we have prepared our valuation on the basis that the owner has enforceable title to the Property and have free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, pledges or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Method of Valuation

In valuing the Property which is held for sale by the Target Company in the PRC, we have adopted Market Comparison Method assuming sale of the Property in its existing state by making reference to comparable sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, accessibility, size and other relevant factors.

These method is in line with the market practice.

In valuing the Property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and HKIS Valuation Standards 2020.

Source of Information

In the course of our valuation, we have relied to a considerable extent on the information given by the Target Company and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, identification of the Property, particulars of occupancy, pre-sold consideration, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation reports are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Target Company which is material to the valuation. We were also advised by the Target Company that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by the Target Company with copies of documents in relation to the current title to the Property. However, we have not been able to conduct searches to verify the ownership of the Property; we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the Property in the PRC and we have therefore relied on the advice given by the PRC Legal adviser and the Target Company. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

Our Shenzhen Office valuers, Vincent Yu (4 years of valuation experience) have inspected the exterior and, wherever possible, the interior of the Property in October 2021. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Property are free of rot, infestation or any other structural defects. No tests were carried out to any of the services.

Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary amounts indicated herein our valuation are in Renminbi (RMB) which is the official currency of the PRC.

Market Volatility

The recent outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuation of the Property is valid only at the Valuation Date and any subsequent changes in market conditions as well as the resulting impacts on property values after the Valuation Date cannot be taken into account. If any party intends to make reference to our valuation when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property values may or may not have changed since the Valuation Date.

Other Disclosure

We hereby confirm that Cushman & Wakefield Limited and the valuers conducting the valuation have no pecuniary or other interests that could conflict with the proper valuation of the Property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We attach herewith the valuation report.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 28 years' experience in the valuation of properties in the PRC.

VALUATION REPORT

Property held for sale by the Target Company in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2021
1.	The 35 unsold residential units of the 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 (as at 30 September 2021)	The Property Development Project, Phase 3, Castfast Villas, is a residential property project which has developed on a parcel of commercial residential land with a total site area of 32,799.80 sq m. The Property Development Project has been completed and there are 35 unsold residential units. The Property comprises 35 unsold residential units of the Property Development Project completed in 2018. **Gross Floor Area sq m** **Property held for sale** Pre-sold 23 Residential Units: 2,879.36 Unsold 12 Residential Units: 1,872.27 **Grand Total:** 4,751.63 The Property Development Project is located at the Youganpu Da Long Industrial District, Fenggang Town, Dongguan City. Developments in vicinity comprise mainly residential developments such as Castfast Villas Phase 1-2 (嘉輝豪庭1-2期), Longcheng Yajun (龍城雅郡) and Taoran Jun (陶然郡). According to the Target Company, the Property is for residential use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Property. The land use rights of the Property have been granted for land use term due to expire on 23 December 2084 for residential use.	As at the Valuation Date, the residential units were vacant.	RMB126,170,000 (RENMINBI ONE HUNDRED TWENTY SIX MILLION ONE HUNDRED SEVENTY THOUSAND)

Notes:

(1) According to Certificate for the Use of State-owned Land dated 12 November 2015 issued by Dongguan Municipal People's Government, the land use rights of a parcel of land with a site area of 32,799.80 sq m have been vested in the Target Company for land use term due to expire on 23 December 2084 for residential use.

(2) According to 35 Real Estate Title Certificates dated 25 July 2019 issued by Dongguan Housing and Urban Rural Development Bureau, the ownership of the Property with a total gross floor area of 4,751.63 sq m have been vested in the Target Company for residential use.

(3) According to Business Licence No. 91441900725081215D dated 25 March 2021, the Target Company has been established as a limited company with a registered capital of RMB51,000,000.

(4) According to the PRC Legal Opinion:

(i) the Target Company has obtained 35 Real Estate Title Certificate and legally owns the ownership of the 35 residential units;

(ii) there are no seizure, mortgage or other form of rights restriction on the ownership of the 35 residential units; and

(iii) the Target Company has the right to possess, use, lease, transfer, mortgage, or otherwise dispose of the 35 residential units in accordance with the law.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Target Company and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Real Estate Title Certificate (Residential units)	Yes
Business Licence	Yes

(6) The respective Market Value in existing state of the Property is as below:

Property held for sale by the Target Company	**Gross Floor Area**	**Unit Value**	**Market Value in existing state as at 30 September 2021**
	sq m	*RMB/sq m*	*RMB* *Rounded*
Pre-sold 23 Residential Units *	2,879.36	24,913	71,734,000
Unsold 12 Residential Units	1,872.27	29,075	54,436,000
Grand Total	**4,751.63**		**126,170,000**

* As advised by the Target Company, at the Valuation Date, 23 residential units of the Property with a total gross floor area of 2,879.36 sq m have been committed for sale at a total consideration of approximately RMB71,734,000. We have included such portions and taken into account the consideration in our valuation.

(7) Property held for sale by the Target Company

In valuing the Property in which is held for sale in the PRC, we have adopted Market Comparison Method. We have made reference to some sales comparable in the Property and nearby development. The unit price of these comparable properties ranges from about RMB25,000 to RMB32,000 per sq m for residential units. The unit values of our valuation, ranges from about RMB25,000 to RMB29,000 per sq m, are consistent with the said sales comparable.

The sales comparable selected by us are exhaustive.

In arriving at the key assumptions, appropriate adjustments and analysis are considered to the differences in several aspects including but not limited to time, location and physical characteristics between the Property and the comparable properties. The general basis of adjustment is if the Property is better than the comparable property, an upward adjustment is made. Alternatively, if the Property is inferior or less desirable than the comparable properties, a downward adjustment is made.

VALUATION REPORT

Property held for sale by the Target Company in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2021
2.	The 26 unsold residential units of the 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 (as at 31 December 2021)	The Property Development Project, Phase 3, Castfast Villas, is a residential property project which has developed on a parcel of commercial residential land with a total site area of 32,799.80 sq m. The Property Development Project has been completed and there are 26 unsold residential units. The Property comprises 26 unsold residential units of the Property Development Project completed in 2018. **Gross Floor Area sq m** **Property held for sale** Pre-sold 14 Residential Units: 1,779.13 Unsold 12 Residential Units: 1,905.41 Grand Total: 3,684.54 The Property Development Project is located at the Youganpu Da Long Industrial District, Fenggang Town, Dongguan City. Developments in vicinity comprise mainly residential developments such as Castfast Villas Phase 1-2 (嘉輝豪庭1-2期), Longcheng Yajun (龍城雅郡) and Taoran Jun (陶然郡). According to the Target Company, the Property is for residential use; there is no environmental issues and litigation dispute; there is no plan to change the use of the Property. The land use rights of the Property have been granted for land use term due to expire on 23 December 2084 for residential use.	As at the Valuation Date, the residential units were vacant.	RMB98,896,000 (RENMINBI NINETY EIGHT MILLION EIGHT HUNDRED NINETY SIX THOUSAND)

Notes:

(1) According to Certificate for the Use of State-owned Land dated 12 November 2015 issued by Dongguan Municipal People's Government, the land use rights of a parcel of land with a site area of 32,799.80 sq m have been vested in the Target Company for land use term due to expire on 23 December 2084 for residential use.

(2) According to 26 Real Estate Title Certificates dated 25 July 2019 issued by Dongguan Housing and Urban Rural Development Bureau, the ownership of the Property with a total gross floor area of 3,684.54 sq m have been vested in the Target Company for residential use.

(3) According to Business Licence No. 91441900725081215D dated 25 March 2021, the Target Company has been established as a limited company with a registered capital of RMB51,000,000.

(4) According to the PRC Legal Opinion:

(i) the Target Company has obtained 26 Real Estate Title Certificate and legally owns the ownership of the 26 residential units;

(ii) there are no seizure, mortgage or other form of rights restriction on the ownership of the 26 residential units; and

(iii) the Target Company has the right to possess, use, lease, transfer, mortgage, or otherwise dispose of the 26 residential units in accordance with the law.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Target Company and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	Yes
Real Estate Title Certificate (Residential units)	Yes
Business Licence	Yes

(6) The respective Market Value in existing state of the Property is as below:

Property held for sale by the Target Company	**Gross Floor Area**	**Unit Value**	**Market Value in existing state as at 31 December 2021**
	sq m	*RMB/sq m*	*RMB* *Rounded*
Pre-sold 14 Residential Units*	1,779.13	24,446	43,493,000
Unsold 12 Residential Units	1,905.41	29,077	55,403,000
Grand Total	3,684.54	Rounded	98,896,000

* As advised by the Target Company, as at the Valuation Date, 14 residential units of the Property with a total gross floor area of 1,779.13 sq m have been committed for sale at a total consideration of approximately RMB43,493,000. We have included such portions and taken into account the consideration in our valuation.

(7) In valuing the Property in which is held in the PRC, we have adopted Market Comparison Method. We have made reference to some sales comparable in the Property and nearby development. The unit price of these comparable properties ranges from about RMB25,000 to RMB32,000 per sq m for residential units. The unit values of our valuation, ranges from about RMB25,000 to RMB29,000 per sq m, are consistent with the said sales comparable.

The sales comparable selected by us are exhaustive.

In arriving at the key assumptions, appropriate adjustments and analysis are considered to the differences in several aspects including but not limited to time, location and physical characteristics between the Property and the comparable properties. The general basis of adjustment is if the Property is better than the comparable property, an upward adjustment is made. Alternatively, if the Property is inferior or less desirable than the comparable properties, a downward adjustment is made.

CUSHMAN & WAKEFIELD
戴德梁行

27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

31 January 2022

The Directors
Karrie International Holdings Limited
9th Floor
Southeast Industrial Building
611–619 Castle Peak Road
Tsuen Wan
New Territories
Hong Kong

Dear Sirs,

Re: Valuation of the entire equity interest in 東莞市嘉訊通電腦產品有限公司

In accordance with the instructions to us to conduct a valuation of the entire equity interest in Dongguan City Jiaxuntong Computer Products Limited* (東莞市嘉訊通電腦產品有限公司) (referred to as the "**Target Company**"), we are pleased to report that we have made relevant enquiries and obtained necessary information for the purpose of providing you with our valuation as at 30 September 2021 (hereinafter referred to as the "**Valuation Date**").

This report states the purpose and basis of valuation, scope of work, source of information, major assumptions, valuation methodology, limiting conditions, and presents our opinion of value.

1. PURPOSE OF VALUATION

The purpose of this valuation is to value the entire equity interest in the Target Company (following completion of the Corporate Division) as of Valuation Date, for internal reference purpose of Karrie International Holdings Limited (hereinafter referred to as the "**Company**") only.

* *For identification only*

We assume no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If any party chooses to rely in any way on the contents of this report, they do so entirely at their own risk.

2. BASIS OF VALUATION

We have carried out the valuation on the basis of market value in accordance with the International Valuation Standards. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

3. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and on information provided by the management of the Target Company and/or the Company, and/or their representatives (together referred to as the "**Management**").

In the course of our valuation work, the following processes had been conducted to evaluate the reasonableness of the adopted bases and assumptions provided by the Management:

- Discussed with the Management and obtained relevant financial information in respect of the Target Company;

- Examined the relevant bases and assumptions of the financial information in respect of the Target Company;

- Conducted appropriate research to obtain sufficient market data and statistical figures and prepared the valuation based on generally accepted valuation procedures and practices; and

- Presented the purpose and basis of valuation, scope of work, company background, source of information, major assumptions, valuation methodology and our opinion of value in this report.

4. COMPANY BACKGROUND

The Target Company has been established in the People's Republic of China (the "**PRC**") since 2000. It is principally engaged in a residential development project located at Da Long Industrial District, Fenggang Town, Dongguan City, Guangdong Province, the PRC.

The balance sheet of the pro forma financial statement of the Target Company as at 30 September 2021 (following completion of the Corporate Division) provided by the Management was as follows:

As at 30 September 2021	*(in RMB '000)*
Cash and bank deposits	82,985
Prepaid accounts	112
Real estate inventory	31,918
Other receivable	649,900
Total current assets	**764,915**
Property, plant, and equipment	43
Deferred tax asset	91,921
Total non-current assets	**91,964**
Total assets	**856,879**
Accounts payable	993
Dividends payable	170,000
Advances from customers	30,790
Accrued expenses and other liabilities	383,376
Total current liabilities	**585,159**
Total liabilities	**585,159**

5. SOURCE OF INFORMATION

In arriving at our assessment of the value of the entire equity interest in the Target Company, we have relied on the following information that was provided to us by the Management, as well as other publicly available information that we have gathered through our own research, including, but not limited to, the following:

- Copies of business licenses and other relevant documents of the Target Company;
- The unaudited pro forma financial statement and related financial information of the Target Company as at 30 September 2021 (following completion of the Corporate Division) provided by the Management; and
- Other public information relating to the valuation.

6. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- The information provided has been prepared on a reasonable basis after due and careful consideration by the Management;
- There will be no major change in the current taxation laws in the localities in which the Target Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Company;
- The core business operation of the Target Company will not differ materially from those of present or expected; and
- The information regarding the Target Company provided by the Management is true and accurate.

7. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the entire equity interest in the Target Company, namely the market approach, the income approach and the asset-based approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

Market Approach

The market approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. The market approach comprises two methods namely guideline (or comparable) company method and similar transaction method.

The guideline company method focuses on analyzing the data and valuation multiples of companies that can be considered comparable to those being valued. Adjustments are made to the comparable companies to compensate for differences between those companies and the company being valued. Finally, appropriate valuation multiples are applied to the subject company's normalized financial data to arrive at an indication of the value of the subject company.

The similar transaction method measures value based on what other purchasers in the market have paid for companies that can be considered reasonably similar to those being valued. When the similar transaction method is utilized, data are collected on the prices paid for reasonably comparable companies. Adjustments are made to the comparable companies to compensate for differences between those companies and the company being valued. The application of the similar transaction method results in an estimate of the price reasonably expected to be realized from the sale of the company.

Income Approach

The income approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the income approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

Asset-Based Approach

The asset-based approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital. In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity and investors who lend money to the business entity. After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

Selection of Valuation Methodology

The selection of a valuation approach is based on, among others, the quantity and quality of information provided, access to available data, availability of relevant market transactions, type and nature of subject assets, purpose and objective of the valuation and professional judgment and technical expertise. Among the three approaches, we consider that asset-based approach is more appropriate for valuing the entire equity interest in the Target Company as the major assets owned by the Target Company are real estate assets.

Valuation Summary

The adopted values and valuation methodologies for each of the balance sheet items of the Target Company are listed below:

As at 30 September 2021	**Market Value** *(in RMB '000)*	**Remark**
Cash and bank deposits	83,338	1
Prepaid accounts	112	2
Real estate inventory	126,170	3
Other receivable	649,900	2
Total current assets	**859,520**	
Property, plant, and equipment	311	4
Deferred tax asset	91,921	2
Total non-current assets	**92,232**	
Total assets	**951,752**	
Accounts payable	993	2
Dividends payable	170,000	2
Advances from customers	30,790	2
Accrued expenses and other liabilities	383,376	2
Total current liabilities	**585,159**	
Deferred tax liabilities	14,706	5
Provision for land appreciation tax	36,049	6
Total liabilities	**635,914**	
Equity	**316,000**	**(Rounded)**

Remarks:

1. The cash and bank deposits are cash, cash in banks and structured deposit.

   For cash and cash in banks, book values shown on the financial statement of the Target Company as at 30 September 2021 were stated as provided by the Management.

   For structured deposit, the fair value is estimated by adjusting the accrued interest as of 30 September 2021 on the basis of the deposit principal provided by the Management.

2. Book values shown on the financial statement of the Target Company as at 30 September 2021 were stated as provided by the Management.

3. For Real estate inventory, please refer to the Property Valuation Report prepared by Cushman & Wakefield Limited as set out in Appendix V to this circular.

4. Property, plant and equipment can be classified into office equipment and vehicles.

   For equipment, the cost approach was adopted in the valuation.

   The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from the condition, utility, age, wear and tear, or obsolescence present (physical, functional or economical), taking into consideration past and present maintenance policy and rebuilding history. The cost approach generally furnishes the most reliable indication of value for assets without a known used market.

   For vehicles, the market approach was adopted in the valuation.

   The market approach considers prices recently paid for similar assets. Assets for which there is an established used market may be appraised by this approach.

5. The value of deferred tax liabilities is the provision of the deferred tax on surplus arising from the valuation of structured deposit, property, plant and equipment and inventories that were for sale purposes after provision for land appreciation tax (assuming a prevailing tax rate of 25%).

6. The fair value of provision for land appreciation tax is the provision for tax on surplus arising from the valuation of inventories that were for sale purposes.

8. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management, including written information and oral representation, in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

The recent outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the stock market. It is expected that valuation will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of shares will be longer than normal. There will be less certainty as to how long a valuation may sustain and financial situation may fluctuate rapidly and materially over a short period of time. Our valuation is valid only at the valuation date and any subsequent changes in market conditions as well as the resulting impacts on share prices after the valuation date cannot be taken into account. If any party intends to make reference to our valuation when entering into any transaction, he must bear in mind the high market volatility during this period of time and that share prices may or may not have changed since the valuation date.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Neither the whole nor any part of this report or any reference hereto may be included in any published document, circular or statement, or published in any way, without our prior written approval of the form and context in which it may appear.

Finally and in accordance with our standard practice, we must state that this report and valuation are for the exclusive use only of the addressee and for the purpose stated herein. No responsibility is accepted to any third party for the whole or any part of its contents.

9. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Company, the Target Company or the value reported herein.

10. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of the entire equity interest in the Target Company as at the Valuation Date is, in our opinion, reasonably estimated as **RMB316,000,000 (RENMINBI THREE HUNDRED SIXTEEN MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Philip Tsang
Registered Business Valuer registered with the Hong Kong Business Valuation Forum
MSc, MHKIS
Director, Valuation & Advisory Services

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Bruce Oong
CPA
Senior Director,
Valuation & Advisory Services

1. 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.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests in the Shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

	Number of Shares				
Name of Directors and Chief Executive	**Personal interests**	**Family interests**	**Corporate/ Other interests**	**Total interests**	**% of issued share capital** *(Note 11)*
Mr. Ho	278,712,000 *(Note 1)*	110,350,000 *(Note 1)*	1,077,608,000 *(Note 2)*	1,466,670,000	72.70
Mr. Ho Cheuk Ming	11,400,000 *(Note 3)*	—	817,608,000 *(Note 2)*	829,008,000	41.09
Ms. Chan Ming Mui, Silvia	7,000,000 *(Note 4)*	—	—	7,000,000	0.35
Mr. Zhao Kai	11,672,000 *(Note 5)*	—	—	11,672,000	0.58
Mr. Chan Raymond	4,922,000 *(Note 6)*	—	—	4,922,000	0.24
Mr. Ho Kai Man	150,000 *(Note 7)*	—	—	150,000	0.01

Name of Directors and Chief Executive	Number of Shares: Personal interests	Family interests	Corporate/ Other interests	Total interests	% of issued share capital (Note 11)
Mr. Yam Chung Shing	500,000 (Note 8)	—	—	500,000	0.02
Mr. Fong Hoi Shing	42,000 (Note 9)	—	—	42,000	0.00
Ms. Ho Po Chu	110,350,000 (Note 10)	538,712,000 (Note 10)	817,608,000 (Note 2)	1,466,670,000	72.70

Notes:

1. Mr. Ho's personal interest consists of 278,712,000 Shares of the Company. He is deemed to be interested in 110,350,000 Shares held by his spouse, Ms. Ho Po Chu, as beneficial owner.

2. The 1,077,608,000 Shares comprised (i) 487,608,000 Shares held by New Sense Enterprises Limited ("**New Sense**"); and (ii) 330,000,000 Shares held by Castfast Properties Development Co., Limited ("**Castfast Properties**"), 87% of the issued share capital of which is beneficially owned by Honford Investments Limited ("**Honford Investments**"). New Sense and Honford Investments are each wholly-owned by TMF (BVI) Limited ("**TMF**") as trustee for a discretionary trust, The Ho Family Trust, and (iii) 260,000,000 Shares held by The Wedding City Co., Limited ("**The Wedding City**"), 90% and 10% of the issued share capital of which is beneficially owned by Mr. Ho and Ms. Ho Po Chu, respectively. Mr. Ho is deemed to be interested in the 817,608,000 Shares in (i) and (ii) as founder of The Ho Family Trust and in 260,000,000 Shares in (iii) through The Wedding City. Ms. Ho Po Chu and Mr. Ho Cheuk Ming are the discretionary objects of The Ho Family Trust and are thus deemed to be interested in the 817,608,000 Shares held under The Ho Family Trust. Therefore, the interests of Mr. Ho, Ms. Ho Po Chu and Mr. Ho Cheuk Ming in the 817,608,000 Shares duplicate with each other.

3. The personal interests of Mr. Ho Cheuk Ming comprise 11,400,000 Shares.

4. The personal interests of Ms. Chan Ming Mui, Silvia comprise 6,000,000 Shares and 1,000,000 outstanding share options.

5. The personal interests of Mr. Zhao Kai comprise 10,672,000 Shares and 1,000,000 outstanding share options.

6. The personal interests of Mr. Chan Raymond comprise 3,922,000 Shares and 1,000,000 outstanding share options.

7. The personal interests of Mr. Ho Kai Man comprise 150,000 outstanding share options.

8. The personal interests of Mr. Yam Chung Shing comprise 500,000 Shares.

9. The personal interests of Mr. Fong Hoi Shing comprise 42,000 Shares.

10. The personal interests of Ms. Ho Po Chu comprise 110,350,000 Shares. Ms. Ho Po Chu is also deemed to be interested in (a) 278,712,000 Shares held and 260,000,000 Shares deemed to be held by her spouse, Mr. Ho, and (b) 817,608,000 Shares referred to in Note 2 above.

11. Based on 2,017,309,200 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed below, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO.

(b) Substantial Shareholders' Interests and Short Positions in the Shares and underlying shares of the Company

As at the Latest Practicable Date, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

	Number of Shares		
Name of Substantial Shareholders	**Personal interests**	**Corporate/ Other interests**	**% of issued share capital** *(Note 5)*
New Sense	487,608,000 *(Note 1)*	—	24.17
Castfast Properties	330,000,000 *(Note 2)*	—	16.36
The Wedding City	260,000,000 *(Note 3)*	—	12.89
Honford Investments	—	330,000,000 *(Note 2)*	16.36
TMF	—	817,608,000 *(Note 4)*	40.53

Notes:

1. The entire issued share capital of New Sense was owned by TMF as trustee for The Ho Family Trust.

2. 87% of the issued share capital of Castfast Properties is beneficially owned by Honford Investments. The entire issued share capital of Honford Investments was owned by TMF as trustee for a discretionary trust, The Ho Family Trust. The interests of Honford Investments duplicate with those of the Castfast Properties.

3. 260,000,000 Shares were beneficially held by The Wedding City. 90% and 10% of the issued share capital of which is beneficially owned by Mr. Ho and Ms. Ho Po Chu, respectively. The interests of The Wedding City therefore duplicate with those of Mr. Ho referred to in Note 2 to the subsection headed "Directors' and chief executive's interests in the Shares and underlying shares of the Company and its associated corporations" above.

4. TMF is deemed to be interested in these Shares held by New Sense, Castfast Properties and Honford Investments by virtue of acting as the trustee for The Ho Family Trust.

5. Based on 2,017,309,200 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, no person or company (not being a Director or chief executive of the Company) had or was deemed to have any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

4. DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS AND ASSETS

As at the Latest Practicable Date, save as disclosed in this circular:

(a) none of the Directors had any interest, either direct or indirect, in any assets which have, since 31 March 2021 (being the date to which the latest published audited accounts of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

(b) none of the Directors was materially interested, either directly or indirectly, in any contract or arrangement entered into by any member of the Group which is subsisting as at the date of this circular and is significant in relation to the business of the Group.

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, Mr. Ho and his spouse, Ms. Ho Po Chu, were interested in certain companies established in the PRC (the "**Competing Companies**") which are or are likely to, directly or indirectly, compete with the business of the Group. Mr. Ho and Ms. Ho Po Chu are also the directors of these Competing Companies. Details of the interests of Mr. Ho and Ms. Ho Po Chu in the Competing Companies are as follows:

Name of Competing Company	Date and place of establishment	Principal business	Shareholdings
Dongguan Castfast Door and Window Products Co., Ltd.* (東莞嘉輝門窗製品有限公司)	2 August 2001, the PRC	Property investment and provision of property management and consultancy services in the PRC	Castfast Properties: 95%
Yixing Yongtai Electronic Technology Co. Ltd. * (宜興永泰電子科技有限公司)	25 March 2008, the PRC	Property development in the PRC	Castfast Properties: 75%; Dongguan Karrie Resort Limited: 25%
The Target Company	7 September 2000, the PRC	Property development and the real estate business	The Vendor: 100%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates had any interests in any business which competes or may compete, either directly or indirectly, with the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. NO MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there were no material adverse changes in the financial or trading positions of the Group since 31 March 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group after the date two years immediately preceding the Latest Practicable Date and are or may be material:

(a) the Kar Info International Acquisition Agreement; and

(b) the Acquisition Agreement.

9. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following is the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	**Qualification**
Cushman & Wakefield Limited	Independent property valuer
KPMG	Certified Public Accountants
China Tonghai Capital Limited	Licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above experts has confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group, nor did it have any direct or indirect interests in any assets which had been acquired, disposed of or leased to or which were proposed to be acquired, disposed of or leased to any member of the Group since 31 March 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports and references to its name in the form and context in which they appear.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**http://www.karrie.com**) for 14 days from the date of this circular:

(a) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 27 to 28 in this circular;

(b) the letter of independent advice from the Independent Financial Adviser, the text of which is set out on pages 29 to 64 in this circular;

(c) the accountants' report on the Target Operation, the text of which is set out in Appendix II to this circular;

(d) the report in relation to the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(e) the Property Valuation Report, the text of which is set out in Appendix V to this circular;

(f) the Equity Valuation Report, the text of which is set out in Appendix VI to this circular;

(g) the Kar Info International Acquisition Agreement;

(h) the Acquisition Agreement;

(i) the written consents referred to in the section headed "Qualifications and consents of experts" in this appendix; and

(j) this circular.

11. GENERAL

(a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The head office and principal place of business of the Company is 9th Floor, Southeast Industrial Building, 611–619 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong.

(c) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited at 4/F., North Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda.

(d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The company secretary of the Company is Mr. Tang Wing Fai. He is a Chartered Secretary, a Chartered Governance Professional and an associate of The Chartered Governance Institute and the Hong Kong Chartered Governance Institute.

(f) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Karrie International Holdings Limited
嘉利國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1050)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("**SGM**") of Karrie International Holdings Limited (the "**Company**") will be held at Function Room 2, Level 11, Nina Hotel Tsuen Wan West, 8 Yeung Uk Road, Tsuen Wan, Hong Kong on Monday, 21 February 2022 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company (unless otherwise indicated, capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 31 January 2022):

ORDINARY RESOLUTION

"**THAT**:

(a) the Kar Info International Acquisition and the entering into of the Kar Info International Acquisition Agreement (a copy of which has been produced to the SGM marked "A" and signed by the chairman of the SGM for the purpose of identification) be and are hereby approved, confirmed and ratified;

(b) the Acquisition and the entering into of the Acquisition Agreement (a copy of which has been produced to the SGM marked "B" and signed by the chairman of the SGM for the purpose of identification) be and are hereby approved, confirmed and ratified; and

(c) any one director and/or the company secretary of the Company be and is hereby authorised to perform all such acts, deeds and things and execute all documents as he/she considers necessary or expedient to effect and implement the Kar Info International Acquisition Agreement, the Acquisition Agreement, and the transactions contemplated thereunder with such changes as he/she may in his/her absolute opinion deem necessary, desirable or expedient."

By order of the Board
Karrie International Holdings Limited
Ho Cheuk Fai
Chairman and Executive Director

Hong Kong, 31 January 2022

As at the date of this circular, 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.

Notes:

1. Any shareholder of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder of the Company who is the holder of two or more shares of the Company is entitled to appoint more than one proxy to attend and vote in his stead. A proxy need not be a shareholder of the Company. A form of proxy for use at the SGM is enclosed herewith.

2. In order to be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude any shareholder of the Company from attending and voting at the SGM or any adjourned meeting.

3. Where there are joint holders of any share of the Company any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the person whose name stands first in the register of members of the Company in respect of such share, whether in person or by proxy, shall be accepted to the exclusion of the other joint holders.

4. The register of members of the Company will be closed from Wednesday, 16 February 2022 to Monday, 21 February 2022 (both days inclusive) during which no transfer of the share(s) (the "**Share(s)**") in the share capital of the Company will be registered. Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 21 February 2022 will be entitled to attend and vote at the SGM.

5. To safeguard the health and safety of the Shareholders and to prevent the spread of the COVID-19 pandemic, precautionary measures will be implemented at the SGM, including but not limited to:

   - compulsory body temperature checks
   - compulsory wearing of surgical face masks
   - no refreshments or drinks will be served

   Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the SGM venue.

6. The Company reminds Shareholders that they may appoint the Chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.

7. In the event that a black rainstorm waring or a tropical cyclone warning number 8 or above is hoisted or remains hoisted at 6:00 a.m. on Monday, 21 February 2022, the SGM will be adjourned to the same time and place on the first business day after Monday, 21 February 2022.