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KIN YAT HOLDINGS LIMITED
建溢集團有限公司

website: <http://www.kinyat.com.hk>

(Incorporated in Bermuda with limited liability)

(Stock Code: 638)

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN THE TARGET COMPANIES

The Board is pleased to announce that on 20 April 2020, the Vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire equity interests in the Target Companies, at a consideration of RMB34,500,000 (equivalent to approximately HK\$37,950,000).

Upon Completion, the Target Companies will cease to be subsidiaries of the Company and their financial results and assets and liabilities will no longer be consolidated into the financial statements of the Group.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is therefore subject to the relevant reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 20 April 2020, the Vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire equity interests in the Target Companies, at a consideration of RMB34,500,000 (equivalent to approximately HK\$37,950,000).

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date

20 April 2020

Parties

- (i) the Purchaser; and
- (ii) the Vendor, an indirect wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are independent of, and not acting in concert with the Company and connected persons of the Company.

Subject Matter

The entire equity interests in the Target Companies.

Consideration

The consideration for the Disposal is RMB34,500,000 (equivalent to approximately HK\$37,950,000), in which RMB30,000,000 (equivalent to approximately HK\$33,000,000) shall be payable by the Purchaser to the Vendor in cash within three days upon signing of the Sale and Purchase Agreement and the balance of RMB4,500,000 (equivalent to approximately HK\$4,950,000) shall be payable in cash within six months from the date on which the change of the business registration of the Target Companies under the relevant government authorities to the name of the Purchaser having been completed. As at the date of this Announcement, the Group has received the abovementioned deposit of RMB30,000,000 (equivalent to approximately HK\$33,000,000).

The consideration was determined after arm's length negotiations between the Company and the Purchaser taking into consideration the matters referred to in the paragraph entitled "Reasons for and Benefits of the Disposal" below with main reference to the Company's original investment cost of approximately HK\$37,647,000 and the fact that the Target Companies remain loss-making.

Condition Precedent

Completion of the Disposal is conditional upon the completion of change of the business registration of the Target Companies under the relevant government authorities to the name of the Purchaser. Under the Sale and Purchase Agreement, should the Condition Precedent not be satisfied within six months from the date of the Sale and Purchase Agreement (or such later date as may be agreed between the Purchaser and the Vendor in writing), all rights, obligations and liabilities of the Purchaser and the Vendor in respect of or under the Sale and Purchase Agreement shall cease and terminate and the Vendor shall return to Purchaser forthwith the deposit paid, and no party to the agreement shall have any claim of any nature whatsoever against the other party under the Sale and Purchase Agreement. The Condition Precedent could not be waived by either party to the Sale and Purchase Agreement.

Completion

Completion shall take place following the satisfaction of the Condition Precedent. Upon Completion, the Target Companies will cease to be subsidiaries of the Company and their financial results and assets and liabilities will no longer be consolidated into the financial statements of the Group.

INFORMATION ON THE TARGET COMPANIES

The Target Companies operate mainly through two manufacturing and processing hubs located in Dushan County, Guizhou Province (“Guizhou”) and Shaoguan County, Guangdong Province, the PRC. Both production hubs were set up around mid-year 2016 and commissioned operations at the beginning of year 2017, engaged mainly in the sale and downstream processing of glass including but not limited to insulating glass, glass window module and digital image printed glass; the design, manufacture and installation of curtain wall system (with the qualification of Grade I Qualification for Professional Contracting of Building Curtain Wall Engineering).

As at the date the Sale and Purchase Agreement, the Target Companies are the direct wholly-owned subsidiaries of the Vendor. The unaudited combined net asset value of the Target Companies as at 31 December 2019 was approximately HK\$7,165,000. The unaudited combined financial information of the Target Companies for the year ended 31 December 2019 is as follows:

	For the period from 14 August 2018 (the date of acquisition by the Group) to 31 December 2018 (<i>unaudited</i>) HK\$'000	For the year ended 31 December 2019 (<i>unaudited</i>) HK\$'000
Loss before taxation	1,920	6,983
Loss after taxation	1,953	6,983

INFORMATION ON THE COMPANY AND THE VENDOR

The principal activity of the Company is investment holding. The Group operates two main business streams; namely manufacturing businesses and non-manufacturing business segments. In the manufacturing arena, it is engaged in the research-and-development-based production of electrical and electronic products business, electric motors business, and glass technology related business activities. The non-manufacturing segment of the Group currently comprises mainly real estate development business in Guizhou, the PRC.

The Vendor is an indirect wholly-owned subsidiary of the Company and the holding company of the Target Companies.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Upon the Company's strategic review of its investment in the glass technology and application business segment in terms of its less-than-expected contribution to the Group's turnover and profitability so far and the low working capital turnover rate that hinders the growth potential of the business, it is decided that the Group should no longer invest in the Target Companies and to realise any resources possible to be used to generate revenue and income from the other business segments of the Group. In this connection, the Board intends to realise the investment in the Target Companies rather than devoting further resources to the Target Companies. The Board is of the view that it is in the interests of the Company and the Shareholders as a whole to dispose the entire equity interests in the Target Companies.

The Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable and are on normal commercial terms, and the Disposal is in the interests of the Company and the Shareholders as a whole.

EFFECT OF THE DISPOSAL ON THE GROUP

Based on the unaudited combined net asset value of the Target Companies of approximately HK\$7,165,000 as at 31 December 2019, and the goodwill, the intangible assets, the deferred tax liability and the shareholder loans (relating to the Target Companies) of approximately HK\$27,565,000 expected to be written off upon Completion, the Disposal at a consideration of RMB34,500,000 (equivalent to approximately HK\$37,950,000) is accordingly expected to give rise to a gain of approximately HK\$3,220,000 (subject to audit) for the Group.

Furthermore, the Group expects that the unaudited net asset value of the Group would be improved by an amount of approximately HK\$3,220,000 due to the gain on disposal of subsidiary upon Completion.

USE OF PROCEEDS

It is expected that the proceeds from the Disposal will be used as general working capital of the Group and for its future business development.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is therefore subject to the relevant reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	Kin Yat Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 638)
“Completion”	completion of the sale and purchase of the entire equity interests in the Target Companies pursuant to the terms and conditions of the Sale and Purchase Agreement
“Condition Precedent”	conditions precedent as set out in the Sale and Purchase Agreement
“Directors”	the directors of the Company
“Disposal”	the disposal of the entire equity interests in the Target Companies by the Vendor to the Purchaser on the terms and conditions of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“PRC”	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	貴州聯威投資有限責任公司 (Guizhou Lianwei Investment Co., Ltd.*), a company established under the laws of the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC

“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Purchaser (as purchaser) and the Vendor (as vendor) on 20 April 2020 in respect of the Disposal
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Shareholders”	holders of the Shares
“Shares”	the ordinary shares of HK\$0.10 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	創建節能玻璃(貴州)有限公司 (Chuangjian Jieneng Glass (Guizhou) Co., Ltd.*) and 創建節能玻璃(韶關)有限公司 (Chuangjian Jieneng Glass (Shaoguan) Co., Ltd.*), both established under the laws of the PRC with limited liability and wholly-owned subsidiaries of the Vendor
“Vendor”	Progress Power-Saving Glass Technology Co., Limited(創建節能玻璃科技有限公司, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

* for identification purpose only

By Order of the Board
Kin Yat Holdings Limited
Cheng Chor Kit
Chairman and Chief Executive Officer

Hong Kong, 21 April 2020

As at the date of this announcement, the Board comprises nine Directors, of which five are executive Directors, namely Mr CHENG Chor Kit, Mr FUNG Wah Cheong, Vincent, Mr LIU Tat Luen, Mr CHENG Tsz To and Mr CHENG Tsz Hang and four independent non-executive Directors, namely Mr WONG Chi Wai, Dr SUN Kwai Yu, Vivian, Mr CHENG Kwok Kin, Paul and Mr CHEUNG Wang Ip.