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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)

(1) MAJOR TRANSACTION – DISPOSAL
AND
(2) RESUMPTION OF TRADING

INTRODUCTION

On 20 March 2023, a wholly-owned subsidiary of the Company, Penta Blesses (for itself and on behalf of its wholly-owned subsidiaries, Newway Industries and Turbo Electronic) entered into the Lands Resumption Agreement with SXBNR (始興縣自然資源局), pursuant to which SXBNR agreed to resume, Penta Blesses agreed to surrender, the land use rights of the Lands and the Relevant Assets thereon at a consideration by way of cash Compensation of approximately RMB104.6 million (equivalent to approximately HK\$120.2 million) according to the relevant rules and regulations in the PRC including but not limited to the policy pertaining to the Three-old Renovation, subject to the successful bidding of the land use rights of the Lands as redesignated through the Public Auction.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Transactions exceeds 25% but is less than 75%, the Transactions constitute a major transaction for the Company under Chapter 14 of the Listing Rules, and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting under the Listing Rules if the Company were to convene a special general meeting for the approval of the Transactions.

As no Shareholder is interested in the Transactions and is required to abstain from voting at the general meeting (if the Company were to convene a general meeting for the approval of the Transactions), the Company has approved the Transactions by way of the written approval of Mr. Cheng Chor Kit, who was beneficially holding 283,254,000 shares of the Company, representing approximately 64.52% of the issued share capital of the Company as at the date of this announcement, pursuant to Rule 14.44 of the Listing Rules, and is exempted from convening a general meeting for the approval of the Transactions.

A circular containing, among other things, further details of the Transactions and the valuation report of the land use rights of the Lands and the construction erected on the Lands, is expected to be dispatched to the Shareholders within fifteen (15) business days after the publication of this announcement, i.e., on or before 19 April 2023.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Tuesday, 21 March 2023 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Friday, 24 March 2023.

Shareholders and potential investors of the Company should note that the completion of the Disposal is subject to the land use rights of the Lands as redesignated being sold through the Public Auction as detailed in this announcement. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

RESUMPTION OF THE LANDS

On 20 March 2023, a wholly-owned subsidiary of the Company, Penta Blesses (for itself and on behalf of its wholly-owned subsidiaries, Newway Industries and Turbo Electronic) entered into the Lands Resumption Agreement with SXBNR (始興縣自然資源局), pursuant to which SXBNR agreed to resume, Penta Blesses agreed to surrender, the land use rights of the Lands and the Relevant Assets thereon at a consideration by way of cash Compensation of approximately RMB104.6 million (equivalent to approximately HK\$120.2 million) in total comprising the compensation for land use rights of the Lands and for the Relevant Assets thereon and other related compensation according to the relevant rules and regulations in the PRC including but not limited to the policy pertaining to the Three-old Renovation.

The Lands would be changed from industrial use to residential use and the land use rights thereof would be put up for sale by the local government authorities through Public Auction after the Lands Resumption. Under the Lands Resumption Agreement, it was stipulated that the payment of the compensation for the land use rights of the Lands of approximately RMB29.0 million (equivalent to approximately HK\$33.3 million) would be made by SXBNR to the Group while the remaining compensation amount of approximately RMB75.6 million (equivalent to approximately HK\$86.9 million) (the “**Remaining Compensation**”) would be paid to the Group by the successful bidder of the land use rights of the Lands as redesignated in the Public Auction.

(I) LANDS RESUMPTION AGREEMENT

The principal terms of the Lands Resumption Agreement are summarised as follows:

Date

20 March 2023

Parties

- (a) SXBNR (始興縣自然資源局); and
- (b) Penta Blesses, a wholly-owned subsidiary of the Company

Subject Matter

In furtherance of implementing the Three-old Renovation on the Lands, SXBNR agreed to resume, Penta Blesses agreed to surrender, the land use rights of the Lands and the Relevant Assets thereon (collectively the “**Target Assets**”) at a consideration by way of cash Compensation of approximately RMB104.6 million (equivalent to approximately HK\$120.2 million) in total comprising the compensation for the land use rights of the Lands and the Relevant Assets thereon and other related compensation according to the relevant rules and regulations in the PRC.

The Lands comprise three parcels of land with an aggregate site area of approximately 71,468 sq. m. situated at Huang Hua Yuan Industrial Area, Tai Ping Town, Shixing County, Shaoguan City, Guangdong Province, the PRC, and have been approved for industrial use. The Relevant Assets mainly comprise (i) 14 reinforced concrete buildings ranging from one to seven storeys high with a total gross floor area of approximately 40,700 sq. m. mainly used as factory, warehouse and quarters; (ii) other auxiliary buildings and premises with a gross floor area of approximately 19,800 sq. m.; and (iii) bulky machineries that are difficult and costly to move from one place to another.

Compensation

The total amount of compensation in relation to the Lands Resumption (the “**Compensation**”) is approximately RMB104.6 million (equivalent to approximately HK\$120.2 million), comprising the aggregate amount of compensation for (i) the land use rights of the Lands, (ii) the Relevant Assets; (iii) cessation of business; and (iv) rental loss. As stipulated in the Lands Resumption Agreement, the payment of compensation for item (i) mentioned above of RMB29.0 million (equivalent to approximately HK\$33.3 million) should be payable by SXBNR and the payment of compensation for items (ii), (iii) and (iv) mentioned above for a total of RMB75.6 million (equivalent to approximately HK\$86.9 million) should be payable by the successful bidder of the land use rights of the Lands as redesignated through the Public Auction.

The Compensation was arrived at normal commercial terms and after arm’s length negotiation between the parties after taking into account, among other, (i) the average assessed value of the land use rights of the Lands and the Relevant Assets thereon and other related compensation of approximately RMB104.6 million (equivalent to approximately HK\$120.2 million) in aggregate according to the valuation reports of three independent PRC valuers appointed by the local government in accordance with the procedures and requirements set out under the relevant laws, regulations and procedures applicable to resumption of industrial land in Shaoguan City; and (ii) the preliminary valuation for the land use rights of the Lands and the construction thereon by an independent Hong Kong valuer appointed by the Company.

Payment Terms

The Lands Resumption Agreement stipulated the following payments terms of the Compensation to Penta Blesses:

- (i) within thirty (30) days from the date of award (the “**Award Date**”) of the bid to acquire the land use rights of the Lands as redesignated through the Public Auction, SXBNR shall pay the compensation for the land use rights of the Lands of approximately RMB29.0 million (equivalent to approximately HK\$33.3 million). Nevertheless, it is stipulated in the Lands Resumption Agreement that if the payment schedule is delayed due to approval procedures of the relevant governmental departments, SXBNR shall not be liable for breach of contract for such overdue payment; and
- (ii) within thirty (30) days from the Award Date, the successful bidder of the land use rights of the Lands as redesignated shall pay the compensation for (a) the Relevant Assets; (b) cessation of business; and (c) rental loss, of approximately RMB75.6 million (equivalent to approximately HK\$86.9 million) in aggregate. See the variation set out in the paragraph "Ancillary Matters" below.

Delivery of the Target Assets

Within thirty (30) days after entering into the Lands Resumption Agreement, Penta Blesses shall provide (i) the land use certificate for state owned land*(國有土地使用證) regarding the Lands; and (ii) the relevant certificate of ownership of a building*(房屋所有權證) regarding the erection and construction on the Lands, to SXBNR and assist in handling the de-registration and transfer of the Lands and the erection and construction on the Lands.

Breach of the Lands Resumption Agreement

The Lands Resumption Agreement shall automatically terminate if either party fails to perform any of the material terms, conditions, agreements or obligation in the Lands Resumption Agreement and the breaching party shall be held liable for any loss which the non-breaching party may incur or suffer.

(II) ANCILLARY MATTERS

Decheng Property Development, an Independent Third Party not connected with the Company and/or its Directors has indicated its interest to participate in the Public Auction in cooperation with the Company's wholly-owned subsidiaries: Penta Blesses, Newway Industries, and Turbo Electronic, and they entered into a cooperation agreement on 21 March 2023, which provides the following salient terms:

- Decheng Property Development will establish a project company which it controls, and one or more of Penta Blesses, Newway Industries, and Turbo Electronic would hold an aggregate 1.0% shareholding of such project company, on a fully-diluted basis.
- Such project company is to bid and acquire the land use rights of the Lands as redesignated through the Public Auction, and is expected to launch, within one year after the Award Date, the sale of the commodity housing on the Lands as redesignated after obtaining presale permissions.
- Penta Blesses, Newway Industries, and Turbo Electronic will assist in ensuring the timely relocation work to vacant from the Lands and its smooth hand over.
- The parties' expectation is to cap the bid consideration at no more than approximately RMB61.5 million (equivalent to approximately HK\$70.7 million) if it is decided that the project company is to make a bid.
- If the project company wins the Public Auction, Decheng Property Development or the project company shall be responsible for payment of approximately RMB75.6 million (equivalent to approximately HK\$86.9 million) of the Compensation under the Lands Resumption Agreement plus an additional RMB2.7 million (equivalent to approximately HK\$3.1 million), both payable to Penta Blesses, which constitutes a mutual contractual agreement to vary the payment terms under the Lands Resumption Agreement between the payor and payee, as follows:
 - (i) approximately RMB21.0 million (equivalent to approximately HK\$24.1 million), which is the first instalment of the consideration to be paid immediately after the project company successfully acquires the Lands as redesignated through the Public Auction and Penta Blesses completed the relocation work on the Lands and its hand over to the project company; and

- (ii) approximately RMB57.3 million (equivalent to approximately HK\$65.9 million), anytime, in full or in part, within, but no later than, two years from the Award Date, together with the interest incurred at the rate of 5% per annum (with interest payable every three months), subject to timely relocation work of the Lands being completed.

If any payment as stated above is delayed, Decheng Property Development or the project company shall pay liquidated damages at 0.05% daily interest rate.

- Within 10 days after the Award Date, Decheng Property Development shall pledge its entire shareholding (not less than 99% shareholding) in the project company and act as a joint guarantor, to guarantee its payment obligation.

The aforementioned cooperation agreement is conditional upon the following:

- (a) the project company winning the Public Auction; and
- (b) the Company having obtained the approval of the Shareholders for the Disposal contemplated thereunder pursuant to the requirements of the Listing Rules.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Target Assets were acquired or invested long time ago and it is considered by the Board that the Lands Resumption Agreement has offered the Company a fair compensation to unlock the value of its investment in the Target Assets at a reasonable price in order to realise cash resources and to enhance the liquidity and strengthening the financial position of the Company.

In addition, with reference to (i) the average assessed value of the land use rights of the Lands and the relevant Assets thereon and other related compensation of approximately RMB104.6 million (equivalent to approximately HK120.2 million) in aggregate according to the valuation reports of the three independent PRC valuers appointed by the relevant government department; and (ii) the preliminary valuation of the land use rights of the Lands and the construction thereon by an independent Hong Kong valuer appointed by the Company, the Compensation is considered to be fair and reasonable.

The Board also believes that the cooperation with Decheng Property Development will increase the chance and shorten the time required for the Lands as redesignated being successfully acquired through the Public Auction which in turn could enhance the certainty of receiving the Compensation expected under the Lands Resumption Agreement by the Group. In addition, the Group can receive an additional proceeds of approximately RMB2.7 million (equivalent to approximately HK\$3.1 million) on top of the Remaining Compensation of approximately RMB75.6 million (equivalent to approximately HK\$86.9 million) in accordance to the Lands Resumption Agreement.

Having considered the above, the Board is of the view that the terms of the Lands Resumption Agreement and the Transactions are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS FROM THE DISPOSAL AND PROPOSED USE OF PROCEEDS

The net book value of the Target Assets was approximately RMB35.0 million (equivalent to approximately HK\$40.2 million) as at 30 September 2022 and such assets will be de-recognised from the accounts of the Group when the Group vacates from the Lands.

Given that part of the Target Assets adopts the revaluation model, it is estimated that there would be a gain before tax of approximately RMB35.6 million (equivalent to approximately HK\$40.9 million) (subject to audit) and certain amount of revaluation surplus (subject to audit) under the Lands Resumption Agreement. Such estimated gain was arrived at as if the Disposal was completed on 30 September 2022 and has not taken into account any PRC profits tax and other related tax expenses to be or may be charged. The actual gain under the Disposal will depend on the net book value of the Target Assets attributable to the Group as at the date of completion of the Disposal and the actual costs and expenses to be incurred (if applicable) in connection with the Disposal, which are yet to be determined as at the date of this announcement.

The Company currently intends that all net proceeds from the Disposal will be used for the Group's general working capital.

INFORMATION ON THE GROUP AND THE PARTIES RELATING TO THE LANDS RESUMPTION AGREEMENT

The Company is an investment holding company and its subsidiaries are principally engaged in the design, manufacture, development and sale of electrical and electronic products, electric motor drives and related products, and real estate development.

Penta Blesses is an indirect wholly-owned subsidiary of the Company which is principally engaged in investment and property holding.

Newway Industries is an indirect wholly-owned subsidiary of the Company which is principally engaged in manufacture and trading of toys and electrical appliances.

Turbo Electronic is an indirect wholly-owned subsidiary of the Company which is principally engaged in manufacture and trading of toys and electrical appliances.

SXBNR is a government authority in Shixing County, Shaoguan City, Guangdong Province, the PRC and is one of the local authority involved in the Lands Resumption.

Decheng Property Development is a company established under the PRC law with limited liability and is principally engaged in the business of property development. Decheng Property Development currently is the project company with respect to a sizeable property development project in Qujiang District, Shaoguan City.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, at the date of this announcement, (i) SXBNR is a government authority and its respective ultimate beneficial owner(s) is Independent Third Party; and (ii) Decheng Property Development and its respective ultimate beneficial owner(s) is Independent Third Party.

LISTING RULES IMPLICATIONS

The maximum consideration to be received by the Company under the Transactions is approximately RMB107.3 million (equivalent to approximately HK\$123.3 million). As the highest applicable percentage ratio in respect of the Transactions exceeds 25% but is less than 75%, the Transactions constitute a major transaction for the Company under Chapter 14 of the Listing Rules, and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting under the Listing Rules if the Company were to convene a special general meeting for the approval of the Transactions.

As no Shareholder is interested in the Transactions and is required to abstain from voting at the general meeting (if the Company were to convene a general meeting for the approval of the Transactions), the Company has approved the Transactions by way of the written approval of Mr. Cheng Chor Kit, who was beneficially holding 283,254,000 shares of the Company, representing approximately 64.52% of the issued share capital of the Company as at the date of this announcement, pursuant to Rule 14.44 of the Listing Rules, and is exempted from convening a general meeting for the approval of the Transactions.

A circular containing, among other things, further details of the Transactions and the valuation report of the land use rights of the Lands and the construction erected on the Lands, is expected to be dispatched to the Shareholders within fifteen (15) business days after the publication of this announcement, i.e., on or before 19 April 2023.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Tuesday, 21 March 2023 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Friday, 24 March 2023.

Shareholders and potential investors of the Company should note that the completion of the Disposal is subject to the land use rights of the Lands as redesignated being sold through the Public Auction as detailed in this announcement. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“connected person(s)”, “percentage ratio(s)”, “subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules;
“Award Date”	has the meaning as defined under the section headed “LANDS RESUMPTION AGREEMENT – Payment Terms” of this announcement;
“Board”	the board of Directors;
“Company”	Kin Yat Holdings Limited, a company incorporated in the Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 638);
“Compensation”	has the meaning as defined under the section headed “LANDS RESUMPTION AGREEMENT – Compensation” of this announcement;
“Decheng Property Development”	Shaoguan City Qujiang District Decheng Property Development Co., Ltd.* (韶關市曲江區德城房地產開發有限公司), a company established under the PRC law with limited liability;
“Director(s)”	the directors of the Company;

“Disposal”	the surrender of the Lands and the Relevant Assets thereon by Penta Blesses under the Lands Resumption Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	a party who is not a connected person (as defined in the Listing Rules) of the Company and who together with its ultimate beneficial owner(s) are independent of the Company and the connected persons (as defined in the Listing Rules) of the Company;
“Lands”	comprise three parcels of land situated at Huang Hua Yuan Industrial Area, Tai Ping Town, Shi Xing County, Shaoguan City, Guangdong Province, the PRC (land certificate number: Yue (2018) Shi Xing County Bu Dong Chan Quan No. 0000914, Yue (2018) Shi Xing County Bu Dong Chan Quan No. 0000910 and Yue (2018) Shi Xing County Bu Dong Chan Quan No. 0000912* 土地證號：粵(2018)興縣不動產權第0000914號，粵(2018)始興縣不動產權第0000910號，粵(2018)始興縣不動產權第0000912號);
“Lands Resumption”	the resumption of the Lands and any erection, construction and other relevant assets thereon by the SXBNR from Penta Blesses under the Lands Resumption Agreement
“Lands Resumption Agreement”	the lands resumption agreement in respect of the Lands entered into between Penta Blesses and SXBNR on 20 March 2023;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Newway Industries”	Shixing Newway Industries Company Limited* (始興縣新法實業有限公司), a company established under the PRC law with limited liability and a wholly owned subsidiary of the Company;

“Penta Blesses”	Penta Blesses Enterprises Limited (五福企業有限公司), a company incorporated in the Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Public Auction”	the sale of the Lands as redesignated by the local government authority for new development plans through a tender, auction or a listing-for-sale;
“Relevant Assets”	the erection, construction, machinery, and other relevant assets on the Lands;
“Remaining Compensation”	has the meaning as defined under the section headed “RESUMPTION OF THE LANDS” of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the share(s);
“sq. m.”	square metre, unit of area;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“SXBNR”	Shi Xing County Bureau of Natural Resources*(始興縣自然資源局);
“Target Assets”	has the meaning as defined under the section headed “LANDS RESUMPTION AGREEMENT – Subject Matter” of this announcement;
“Turbo Electronic”	Shaoguan Turbo Electronic Technology Company Limited* (韶關德寶電子科技有限公司), a company established under the PRC law with limited liability and a wholly owned subsidiary of the Company;
“Three-old Renovation”	the “Three-old Renovation”*三舊改造 (i.e., a plan on the renovation of old urban areas, old villages and old plants) promulgated by the Government of the PRC;

“Transactions” the Disposal together with the transactions as more particularly described under the section headed “RESUMPTION OF THE LANDS” of this announcement;

“%” per cent.

For the purpose of this announcement and for illustration purpose only, conversion of HK\$ to RMB is based on the exchange rate of HK\$1.00 = RMB0.87. No representation is made that any amounts in RMB have been or could be converted at the above rate or at any other rates.

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

Hong Kong, 24 March 2023

As at the date hereof, the Board comprises (a) four executive Directors, namely Mr. CHENG Chor Kit, Mr. LIU Tat Luen, Mr. CHENG Tsz To and Mr. CHENG Tsz Hang; (b) one non-executive Director, Dr. FUNG Wah Cheong, Vincent; (c) three independent non-executive Directors, namely Mr. WONG Chi Wai, Dr. SUN Kwai Yu, Vivian and Mr. CHEUNG Wang Ip.

* *The English translation of the Chinese names denoted in this announcement is for illustration purpose only. Should there be any inconsistencies, the Chinese names prevail.*