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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)

MEMORANDUM OF UNDERSTANDING WITH RESPECT TO A POSSIBLE ACQUISITION

The Board announces that after the Stock Exchange trading hours on 15 March 2018, the Purchaser and the Vendors entered into the MOU in relation to the Proposed Acquisition of the controlling equity interest in the Target Company. Subject to the terms and conditions of the Definitive Agreement, the consideration for the Proposed Acquisition is expected not to exceed HK\$120,000,000, and is proposed to be satisfied by the allotment and issue of the Consideration Shares at the price of HK\$2.6 per Share. The terms of the Definitive Agreement including the consideration are still being negotiated between the parties and the Proposed Acquisition will be subject to, inter alia, further due diligence review by the Purchaser, Independent Shareholders' approval and any other requirements under the Listing Rules.

The Proposed Acquisition may or may not proceed. Shareholders and/or potential investors are reminded to exercise caution when dealing in the Shares. The Proposed Acquisition, if it materialises, may constitute a notifiable and connected transaction for the Company under the Listing Rules. Should the Company enter into the Definitive Agreement or decide to terminate the MOU or there be any material development on the Proposed Acquisition, the Company will inform the Shareholders and/or potential investors by way of announcement(s) in accordance with the Listing Rules as and when appropriate.

This announcement is made by the Company pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Listing Rules. Reference is made to the Initial Announcement.

THE MOU

The Board announces that after the Stock Exchange trading hours on 15 March 2018, the Purchaser and the Vendors entered into the MOU in relation to the Proposed Acquisition. Details of the MOU are set out below.

Date

15 March 2018

Parties

- (i) The Purchaser; and
- (ii) the Vendors.

Silurian Resources is a company owned as to 100% by Mr. Cheng who is an executive Director, the chairman and chief executive officer of the Company and a controlling shareholder of the Company holding 266,226,000 Shares, representing approximately 61.1% of the issued share capital of the Company as at the date of this announcement.

The Other Seller who is an Independent Third Party.

Assets to be acquired

Subject to the parties entering into the Definitive Agreement, the Vendors shall sell and the Purchaser shall acquire a 51% and 13% equity interests in the Target Company from Silurian Resources and the Other Seller respectively.

Consideration

The consideration for the Proposed Acquisition is expected not to exceed HK\$120,000,000 and is proposed to be satisfied by way of procuring the Company to allot and issue the Consideration Shares to the Vendors upon completion of the Definitive Agreement.

The terms of the Definitive Agreement including the consideration are still being negotiated between the parties and the Proposed Acquisition will be subject to, inter alia, further due diligence review by the Purchaser, Independent Shareholders' approval and any other requirements under the Listing Rules.

The issue price of the Consideration Shares is proposed to be HK\$2.6 per Share, which represents the average of the closing prices per Share as quoted on the Stock Exchange for the last fifteen (15) consecutive trading days immediately prior to the date of the MOU.

The Consideration Shares, after allotment and issue, shall be subject to lock up undertakings to be given by the Vendors on such terms to be negotiated between the Vendors and the Purchaser.

Exclusivity period

Each of the Vendors agreed that he/it will not and will procure that the Target Company and its directors, officers, employees, representatives and agents will not, directly or indirectly, for a period of six (6) months from the date of the MOU, (i) solicit, initiate or encourage enquiries or offers from; or (ii) initiate or continue negotiations or discussions with or furnish any information to; or (iii) enter into any agreement or statement of intent or understanding with, any person or entity other than the Purchaser and/or the Company with respect to the sale or other disposition of the equity interest in, or the sale, subscription, or allotment of any part thereof or any other shares of, the Target Company.

The parties shall negotiate in good faith towards one another in ensuring the Definitive Agreement be entered into as soon as possible and in any event, on or before the date falling six (6) months from the date of the MOU, or such later date as the parties to the MOU may agree.

The Vendors shall cooperate with the Purchaser in relation to its due diligence review of the Target Company, which is expected to include a commissioning of an independent valuation report.

Conditions

Completion of the Proposed Acquisition is expected to be conditional upon, among other things, (i) the Purchaser being satisfied with the results of the due diligence review to be conducted after signing of the MOU on the assets, liabilities, operations and affairs of the Target Company; (ii) the passing by the Shareholders who are allowed to vote and not required to abstain to vote under the Listing Rules at a special general meeting of the Company to be convened and held of ordinary resolution(s) by poll to approve the Definitive Agreement and the transactions contemplated thereunder in accordance with the Listing Rules and the applicable laws and regulations; and (iii) any other conditions agreed by the parties to be included in the Definitive Agreement.

Legal effect

The MOU is non-legally binding save for the provisions relating to confidentiality, fees and expenses, exclusivity and governing law and jurisdiction of the MOU.

INFORMATION ON THE TARGET COMPANY

The Target Company, acting through its subsidiaries in the PRC, is 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, and the sale of advertising rights on projection glass developed by the Target Company. In particular, the Target Company has successfully developed a switchable projection glass that turns from a clear transparent glass into a project surface instantly.

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding. The Group operates two main business streams. In the manufacturing arena, it is engaged in the research-and-development-based production of electrical and electronic products and micro-motors. The non-manufacturing segment of the Group currently comprises mainly real estate development business activities.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Proposed Acquisition is in furtherance of the Company's strategy to strengthen and develop the core business of the Company with respect to the manufacturing business segments as the Target Company may be able to embark on a new business with respect to the coating of glass surface for electrochromic glass smart shading system (電致變色玻璃智能遮陽系統) used for energy saving solutions and solar energy glass (太陽能發電玻璃) used for power generation in addition to its existing manufacturing business with respect to the sale and downstream processing of glass.

GENERAL

The Proposed Acquisition may or may not proceed. Shareholders and/or potential investors are reminded to exercise caution when dealing in the Shares. The Proposed Acquisition, if it materialises, may constitute a notifiable and connected transaction for the Company under the Listing Rules. Should the Company enter into the Definitive Agreement or decide to terminate the MOU or there be any material development on the Proposed Acquisition, the Company will inform the Shareholders and/or potential investors by way of announcement(s) in accordance with the Listing Rules as and when appropriate.

DEFINITIONS

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

“associate(s)”, “connected person(s)”, “controlling shareholder”	each has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 Proposed Acquisition in accordance with the terms of the Definitive Agreement

“Consideration Shares”	new Shares to be allotted and issued to the Vendors upon Completion to satisfy the consideration payable by the Purchaser
“Definitive Agreement”	the formal sale and purchase agreement to be further negotiated between the Vendors and the Purchaser in relation to the Proposed Acquisition which may or may not be entered into
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Independent Shareholders”	Shareholders other than the Vendors, Mr. Cheng and their associates
“Initial Announcement”	the Company’s announcement dated 12 March 2018 in relation to the possible acquisition of the Target Company, before the MOU was entered into
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	any persons or company(ies) and their respective ultimate beneficial owners, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rule(s)”	the Rules Governing the Listing of Securities on the Stock Exchange

“MOU”	the memorandum of understanding dated 15 March 2018 entered into between the Purchaser and the Vendors setting out preliminary understanding in relation to the Proposed Acquisition
“Mr. Cheng”	Mr. Cheng Chor Kit, an executive Director, the chairman, chief executive officer of the Company and controlling shareholder of the Company
“Other Seller”	an Independent Third Party who holds 43% of the equity interest in the Target Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Acquisition”	the proposed acquisition by the Purchaser of the controlling equity interest in the Target Company from the Vendors
“Purchaser”	an indirectly wholly-owned subsidiary of the Company with limited liability
“Shareholders”	holders of the Shares
“Share(s)”	the ordinary share(s) of HK\$0.10 each of the Company
“Silurian Resources”	Silurian Resources Limited (志留紀資源有限公司), a company owned as to 100% by Mr. Cheng, which is incorporated in the British Virgin Islands with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	a company owned as to 51% and 43% by Mr. Cheng, and the Other Seller respectively, which is incorporated in Hong Kong with limited liability
“Vendors”	Silurian Resources and the Other Seller
“%”	per cent

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

Hong Kong, 15 March 2018

As at the date of this announcement, the Board comprises ten Directors, of which six are executive Directors, namely Mr. CHENG Chor Kit, Mr. FUNG Wah Cheong, Vincent, Mr. LIU Tat Luen, Mr. CHENG Tsz To, Mr. CHENG Tsz Hang and Mr. HUI Ka Po, Alex; 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.