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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)

**CONNECTED TRANSACTION
ACQUISITION OF 51% SHAREHOLDING IN
PROGRESS POWER-SAVING GLASS TECHNOLOGY CO., LIMITED**

Reference is made to the announcements made by the Company dated 12 March 2018 and 15 March 2018 in relation to the possible acquisition of a controlling equity stake in the Target Company.

The Board is pleased to announce that on 25 July 2018, the Purchaser, a wholly-owned subsidiary of the Company, as purchaser, entered into the Sale and Purchase Agreement with the Vendor, as vendor, pursuant to which the Purchaser agreed to acquire the Sale Shares, representing 51% of the issued share capital of the Target Company, together with the Sale Loan, at a consideration of HK\$30,000,000.

As at the date of this announcement, the Purchaser holds 13% of the issued share capital of the Target Company. Upon completion of the Acquisition, the Target Company will become a 64%-owned subsidiary of the Company. As a result, the financial results of the Target Group will be consolidated into the financial statements of the Company.

The Vendor is a company wholly owned by Mr. Cheng Chor Kit, an executive Director, the chairman of the Board, chief executive officer of the Company and controlling shareholder of the Company having a beneficial shareholding of 266,726,000 Shares (as at the date of this announcement), representing approximately 60.76% of the issued share capital of the Company. As such, the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to the announcement and reporting requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 25 July 2018, the Purchaser, a wholly-owned subsidiary of the Company, as purchaser, entered into the Sale and Purchase Agreement with the Vendor, as vendor, pursuant to which the Purchaser agreed to acquire the Sale Shares, representing 51% of the issued share capital of the Target Company, together with the Sale Loan, at a consideration of HK\$30,000,000.

THE SALE AND PURCHASE AGREEMENT

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

Date

25 July 2018

Parties

- (i) the Vendor; and
- (ii) the Purchaser.

Subject Matter

- (i) 10,200 shares of the Target Company, representing 51% of the issued share capital of the Target Company; and
- (ii) the Sale Loan.

Consideration

The consideration for the Acquisition is HK\$30,000,000, which shall be payable by the Company to the Vendor in cash at the completion of the Acquisition.

The consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among other things:-

- (i) the price to sales multiple of approximately 0.9 times of the sales and the price to earnings multiple of approximately 5.1 times of the profit after tax based on the unaudited consolidated accounts of subsidiaries of the Target Company for the year ended 31 December 2017 as compared to the mean value of such multiples of 1.4 times and 10.4 times, respectively, for comparable listed companies in the same industry with the Target Group;
- (ii) the Target Group has already secured a book of orders of approximately RMB120,000,000 (equivalent to approximately HK\$138,000,000) for glass processing business and curtain wall glass projects; and
- (iii) the potential strategic contribution to the business development of the Group to tap into the Existing Target Group Business (as defined below) in light of the lack of such glass manufacturing and processing business set up particularly in the areas around Guizhou Province, where the Target Company has placed strategic focus on developing its presence in recently years.

The consideration shall be settled in cash by the internal resources of the Company and/or external financing including bank borrowings.

Completion

Completion will take place on or before 10 August 2018 or any other later date as agreed by the Vendor and the Purchaser in writing.

INFORMATION ON THE TARGET GROUP

The Target Group 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 (with the qualification of Grade I Qualification for Professional Contracting of Building Curtain Wall Engineering (一級建築幕牆工程專業承包企業資質), and the sale of advertising rights on projection glass developed by the Target Company (collectively, the “**Existing Target Group Businesses**”). In particular, the Target Company has successfully developed a switchable projection glass that turns from a clear transparent glass into a project surface instantly, with related patents granted or in the process of being applied in the PRC.

In April 2018, 貴州獨山瑞進實業有限公司 (English translation: Guizhou Dushan Ruijin Enterprise Company Limited* (“**GDRE**”)) entered into a joint venture agreement, pursuant to which GDRE will subscribe for a 20% enlarged share capital in Chuangjian Guizhou by contributing approximately 51,000 square metres of factory building areas together with the associated land (the “**Land and Factory Buildings**”). The Land and Factory Buildings are mainly the land and buildings occupied and used by Chuangjian Guizhou on a rent-free basis. GDRE is a state-owned and wholly-owned enterprise formed by 貴州獨山經濟開發管理委員會 (English translation: Guizhou Dushan Economic Development Zone Management Committee*).

The Target Group operates mainly through its two manufacturing and processing factories; namely Chuangjian Guizhou in Dushan County, Guizhou Province and Chuangjian Shaoguan in Shaoguan County, Guangdong Province. Both factories were set up around mid-year 2016 and commissioned operations at the beginning of year 2017. As a result, only the financial information of the Target Group for the year ended 31 December 2017 is available.

The unaudited net asset value of the Target Group as at 31 December 2017 was approximately HK\$42,500,000. The unaudited financial information of the Target Group for the year ended 31 December 2017 is as follows:

	For the year ended 31 December 2017 <i>approximately (unaudited)</i> HK\$'000
Net profit before taxation	12,110
Net profit after taxation	11,461

The Vendor has invested approximately HK\$16,800,000 in cash into the Target Company since its establishment.

INFORMATION ON THE COMPANY AND THE VENDOR

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 motors. The non-manufacturing category currently comprises mainly real estate development business activities.

The Vendor is principally engaged in investment holding.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition is in furtherance of the Group's strategy to strengthen and develop the core business of the Company with respect to the manufacturing business segment, particularly 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 the Existing Target Group Businesses.

The Board considers that the Acquisition represents a strategy fit to the Group's development and diversification strategy in expanding its customer base, products and services. In particular, the Target Group has already secured a book of orders of approximately RMB120,000,000 (equivalent to approximately HK\$138,000,000) for glass processing business and curtain wall glass projects. The Existing Target Group Business will also reduce the Group's risk exposure to the trade dispute between the US, PRC and the European Union as the business of the Target Group does not rely on importing and exporting.

As at the date of this announcement, the Purchaser holds 13% of the issued share capital of the Target Company, which was acquired from an independent third party for a consideration of approximately HK\$7,650,000. Upon completion of the Acquisition, the Target Company will become a 64%-owned subsidiary of the Company. As a result, the financial results of the Target Group will be consolidated into the financial statements of the Company.

The consideration for the Acquisition is a result of arm's length negotiation between the Vendor and the Purchaser subsequent to the signing of MOU, taking into account the basis of consideration as mentioned above.

The Vendor and the Purchaser have also agreed that cash consideration (as opposed to issuance of new Shares) is preferred as the Company believes that it minimises possible share dilution to existing Shareholders.

Taking into account the above factors, the Directors (including the independent non-executive Directors) are of the view that even though the Acquisition is not in the ordinary and usual course of business of the Group, the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Cheng Chor Kit, an executive Director, the chairman of the Board and chief executive officer of the Company who has a material interest in the Sale and Purchase Agreement, has abstained from voting on the relevant resolutions at the Board meeting for approving the Sale and Purchase Agreement. Mr. Cheng Tsz To and Mr. Cheng Tsz Hang, both Directors and sons of Mr. Cheng Chor Kit, have also abstained from voting on the relevant resolutions at the Board meeting for approving the Sale and Purchase Agreement.

IMPLICATIONS UNDER THE LISTING RULES

The Vendor is a company wholly owned by Mr. Cheng Chor Kit, an executive Director, the chairman of the Board, chief executive officer of the Company and controlling shareholder of the Company having a beneficial shareholding of 266,726,000 Shares (as at the date of this announcement), representing approximately 60.76% of the issued share capital of the Company. As such, the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition is subject to the announcement and reporting requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and Sale Loan by the Purchaser from the Vendor on the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors of the Company
“Chuangjian Guizhou”	創建節能玻璃（貴州）有限公司 (Chuangjian Jieneng Glass (Guizhou) Co., Ltd.*), a subsidiary of the Target Company
“Chuangjian Shaoguan”	創建節能玻璃（韶關）有限公司 (Chuangjian Jieneng Glass (Shaoguan) Co., Ltd.*), a subsidiary of the Target 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)

“connected person(s)”, “controlling shareholder” and “subsidiary”	each has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Existing Target Group Businesses”	the businesses of the Target Group as described in the section headed “Information of the Target Group” in this announcement
“GDRE”	貴州獨山瑞進實業有限公司 (Guizhou Dushan Ruijin Enterprise Company Limited*), a wholly state-owned enterprise established by 貴州獨山經濟開發管理委員會 (Guizhou Dushan Economic Development Committee*)
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding entered into between, among others, the Vendor and the Purchaser, on 15 March 2018 in respect of the proposed acquisition of a controlling stake of the shares of the Target Company’s shares
“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”	Kin Yat Enterprises (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Vendor (as vendor) and the Purchaser (as purchaser) on 25 July 2018 in respect of the Acquisition
“Sale Loan”	the shareholder’s loan owing from the Target Company to the Vendor, which is unsecured and non-interest bearing, the amount of which was HK\$16,819,800
“Sale Shares”	10,200 shares of the Target Company, representing 51% of the issued share capital of the Target Company that is being sold to the Purchaser pursuant to the Sale and Purchase Agreement
“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 Company”	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
“Target Group”	the Target Company and its subsidiaries, namely Chuangjian Guizhou and Chuangjian Shaoguan

“Vendor”	Silurian Resources Limited, a company incorporated in the British Virgin Islands with limited liability a company wholly owned by Mr. Cheng Chor Kit, an executive Director, the chairman of the Board, chief executive officer of the Company and controlling shareholder of the Company
“%”	per cent

* *for identification purpose only*

By Order of the Board

Cheng Chor Kit

Chairman and Chief Executive Officer

Hong Kong, 25 July 2018

As at the date hereof, 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.