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

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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)

**PROPOSED CONNECTED TRANSACTION AND
DISCLOSEABLE TRANSACTION
IN RELATION TO DISPOSAL OF PROPERTY**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



ODYSSEUS CAPITAL ASIA LIMITED

A letter from the Board is set out on pages 4 to 12 of this circular and a letter from the Independent Board Committee is set out on pages 13 to 14 of this circular. A letter from Odysseus, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 27 of this circular.

A notice convening the SGM to be held at Studio Room, 4/F., pentahotel Hong Kong, Kowloon, 19 Luk Hop Street, San Po Kong, Kowloon, Hong Kong on Monday, 30 March 2020 at 3:00 p.m. is set out on pages 42 to 43 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM and any adjourned meeting (as the case may be) should you so wish.

11 March 2020

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below:

“associate(s)”, “connected person(s)”, “controlling shareholder”	each has the meaning ascribed to it under the Listing Rules
“Asset Appraisal”	Asset Appraisal Limited, independent professional valuer
“Board”	the board of Directors
“Century Grand”	Century Grand International Limited, a company incorporated in Hong Kong with limited liability, wholly owned by Mr Cheng
“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)
“Director(s)”	the director(s) of the Company
“Disposal 1”	the disposal of the entire equity interest in Unicon by KYHK to Mr Cheng
“Disposal 2”	the disposal of Property 2 by KYI to Century Grand
“Disposals”	the transactions contemplated under Disposal 1 and Disposal 2
“Group”	the Company and its subsidiaries
“HKFRS”	The Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Mr Cheng and his associates
“Independent Board Committee”	the Independent Board Committee of the Company comprising all independent non-executive Directors to advise Independent Shareholders in respect of the Disposals
“Independent Financial Adviser” or “Odysseus”	Odysseus Capital Asia Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposals
“KYHK”	Kin Yat (HK) Holdings Limited, an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“KYI”	Kin Yat Industrial Company Limited, an indirect wholly-owned subsidiary of the Company
“Latest Practicable Date” or “LPD”	6 March 2020, being the latest practical date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Long Stop Date for S&P Agreement”	21 July 2020 (or such later date as may be agreed between KYHK and Mr Cheng in writing)
“Long Stop Date for Memorandum Agreement”	21 July 2020 (or such later date as may be agreed between KYI and Century Grand in writing)
“Listing Rule(s)”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum Agreement”	the agreement entered into between KYI and Century Grand with respect to the disposal of Property 2 by KYI to Century Grand
“Mr Cheng”	Mr Cheng Chor Kit, an executive Director, the chairman and chief executive officer of the Company and the controlling shareholder of the Company
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property 1”	Block A and Block B, 7th floor, Galaxy Factory Building, 25–27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong
“Property 2”	Block B, 11th floor, Galaxy Factory Building, 25–27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shareholders”	holders of the Shares
“Shares”	the ordinary shares of the Company
“Special General Meeting”	a special general meeting of the Company to be convened to approve the S&P Agreement and the Memorandum Agreement and the transactions contemplated thereunder
“S&P Agreement”	the agreement entered into between KYHK and Mr Cheng with respect to the disposal of the entire equity interest in Unicon by KYHK to Mr Cheng

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the agreement to be entered into between Unicon and KYI upon completion of Disposal 1 with respect to the leasing of Property 1 by KYI as tenant from Unicon as Landlord
“Unicon”	Unicon Investments Limited, an indirect wholly-owned subsidiary of the Company, owned as to 100% by KYHK
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



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)

Board of Directors

Executive Directors:

Mr CHENG Chor Kit (*Chairman and Chief Executive Officer*)

Mr FUNG Wah Cheong, Vincent

Mr LIU Tat Luen

Mr CHENG Tsz To

Mr CHENG Tsz Hang

Independent non-executive Directors:

Mr WONG Chi Wai

Dr SUN Kwai Yu, Vivian

Mr CHENG Kwok Kin, Paul

Mr CHEUNG Wang Ip

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal office:

7th Floor, Galaxy Factory Building

25-27 Luk Hop Street

San Po Kong

Kowloon

Hong Kong

11 March 2020

To the Shareholders

Dear Sir or Madam,

PROPOSED CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF PROPERTY

1. INTRODUCTION

On 21 January 2020, after trading hours of the Stock Exchange, KYHK (an indirect wholly-owned subsidiary of the Company) and Mr Cheng entered into the S&P Agreement, and KYI (an indirect wholly-owned subsidiary of the Company) and Century Grand (a company wholly owned by Mr Cheng) entered into the Memorandum Agreement. Pursuant to the S&P Agreement, the Company agreed to sell and Mr Cheng agreed to acquire the entire equity interest in Unicon, the sole asset of which is Property 1, for a cash consideration of HK\$39,500,000 in respect of Disposal 1, and pursuant to the Memorandum Agreement, the Company agreed to sell and Century Grand agreed to acquire Property 2 for a cash consideration of HK\$19,750,000 in respect of Disposal 2. Completion of the Disposals shall be conditional upon each other and shall take place simultaneously.

LETTER FROM THE BOARD

2. DISPOSAL 1 THE S&P AGREEMENT

On 21 January 2020, after trading hours of the Stock Exchange, KYHK and Mr Cheng entered into the S&P Agreement in relation to the Disposal 1, pursuant to which KYHK agreed to sell and Mr Cheng agreed to acquire the entire equity interest in Unicon free from all encumbrances for a cash consideration of HK\$39,500,000. The sole asset of Unicon is Property 1. Details of the S&P Agreement are set out below:

Date:	21 January 2020
Parties:	(i) Vendor: KYHK, an indirect wholly-owned subsidiary of the Company; and (ii) Purchaser: Mr Cheng, a connected person of the Company
Assets to be disposed of:	the entire equity interest in Unicon free from all encumbrances, the sole asset of which is Property 1
Consideration:	HK\$39,500,000
Terms of Payment:	Upon signing of the S&P Agreement, an initial deposit of HK\$3,950,000 was paid in cash to KYHK and the balance of the consideration of HK\$35,550,000 will be payable in cash upon completion of the S&P Agreement
Conditions precedent:	Completion of Disposal 1 is conditional upon (a) completion of Disposal 2 taking place simultaneously, and (b) the fulfilment of the condition of the passing of all necessary resolutions by the Independent Shareholders in accordance with the requirements under the Listing Rules at the SGM approving (i) the transactions contemplated under the S&P Agreement, and (ii) the transactions contemplated under the Memorandum Agreements with respect to Disposal 2 submitted for approval at the SGM

Under the S&P Agreement, should the conditions precedent abovementioned not be satisfied on or prior to the Long Stop Date for S&P Agreement, all rights, obligations and liabilities of KYHK and Mr Cheng in respect of or under the S&P Agreement shall cease and terminate and KYHK shall return to Mr Cheng forthwith the deposit paid, and no party to the agreement shall have any claim of any nature whatsoever against the other party under the S&P Agreement. The conditions precedent abovementioned could not be waived by either party to the S&P Agreement.

LETTER FROM THE BOARD

3. DISPOSAL 2 THE MEMORANDUM AGREEMENT

On 21 January 2020, after trading hours of the Stock Exchange, KYI and Century Grand entered into the Memorandum Agreement in relation to the Disposal 2, pursuant to which KYI agreed to sell and Century Grand agreed to acquire Property 2 for a cash consideration of HK\$19,750,000. Details of the Memorandum Agreement are set out below:

Date:	21 January 2020
Parties:	(i) Vendor: KYI, an indirect wholly-owned subsidiary of the Company; and (ii) Purchaser: Century Grand, an investment holding company wholly owned by Mr Cheng, a connected person of the Company
Assets to be disposed of:	Property 2
Consideration:	HK\$19,750,000
Terms of Payment:	Upon signing of the Memorandum Agreement, an initial deposit of HK\$1,975,000 was paid in cash to KYI and the balance of the consideration of HK\$17,775,000 will be payable in cash upon completion of the Memorandum Agreement
Conditions precedent:	Completion of Disposal 2 is conditional upon (a) completion of Disposal 1 taking place simultaneously, and (b) the fulfilment of the condition of the passing of all necessary resolutions by the Independent Shareholders in accordance with the requirements under the Listing Rules at the SGM approving (i) the transactions contemplated under the Memorandum Agreement, and (ii) the transactions contemplated under the S&P Agreement in respect of Disposal 1 submitted for approval at the SGM

Under the Memorandum Agreement, should the conditions precedent abovementioned not be satisfied on or prior to the Long Stop Date for Memorandum Agreement, all rights, obligations and liabilities of KYI and Century Grand in respect of or under the Memorandum Agreement shall cease and terminate and KYI shall return to Century Grand forthwith the deposit paid, and no party to the agreement shall have any claim of any nature whatsoever against the other party under the Memorandum Agreement. The conditions precedent abovementioned could not be waived by either party to the Memorandum Agreement.

LETTER FROM THE BOARD

4. INFORMATION ON THE ASSETS TO BE DISPOSED OF WITH RESPECT TO DISPOSAL 1 AND DISPOSAL 2

The principal activity of Unicon is property holding for the sole purpose of holding Property 1. Prior to completion of Disposal 1, Unicon has been leasing Property 1 to KYI and the revenue represented the rental income received and receivable and the net asset value of Unicon according to its audited financial accounts as at 31 March 2019 was HK\$43,336,000. The financial information of Unicon as extracted from its audited financial accounts is summarised as follows:

	For the year ended	
	31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,872	1,872
Fair value gain on investment properties	4,000	9,000
Depreciation expenses	(144)	(49)
Profit before taxation	5,288	10,369
Profit after taxation	4,993	10,369
Book value of Property 1 (based on the capital value according to property valuation)	43,000	39,000
Net asset value	43,336	38,344

As at 31 December 2019, the unaudited net asset value of Unicon was HK\$43,028,000 and the financial information of Unicon as extracted from its unaudited management accounts is summarised as follows:

	For the nine months ended	
	31 December 2019	
	<i>HK\$'000</i>	
Revenue		1,404
Fair value gain on investment properties		–
Profit before taxation		(308)
Profit after taxation		(308)
Book value of Property 1 (based on the capital value according to the property valuation)		43,000
Net asset value		43,028

All current assets and liabilities of Unicon except Property 1 will be dealt with or otherwise be settled so that the sole asset of Unicon will be Property 1 immediately before the completion of Disposal 1, and the Company will, in effect, dispose of Property 1 through the disposal of the entire equity interest in Unicon. The Company has been using Property 1 since 1995.

Property 2 was used by the Group until around June 2018 and was vacant since then. The book value (based on the capital value according to property valuation) of Property 2 as at 31 March 2018 and 31 March 2019 were HK\$19,900,000 and HK\$22,000,000 respectively. The carrying value of Property 2

LETTER FROM THE BOARD

according to the audited accounts of the Group as at 31 March 2018 and 31 March 2019 were HK\$19,900,000 and HK\$22,000,000 respectively. The carrying value of Property 2 according to the unaudited management accounts of the Group and 31 December 2019 was HK\$21,707,000 (after the deduction of the depreciation expenses). No property valuation was conducted by the Group on Property 2 during the period between 1 April 2019 and 31 December 2019.

Both Property 1 and Property 2 are located at Galaxy Factory Building, a 22-storey industrial building built in 1971 and located at 25–27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong. Property 1 is located at the whole floor on 7th floor, Galaxy Factory Building, with a gross floor area of approximately 10,400 square feet, while Property 2 is located at Block B on 11th floor, Galaxy Factory Building, with a gross floor area of approximately 5,200 square feet.

5. REASONS FOR AND BENEFITS OF DISPOSALS

The principal activity of each of the Company and KYHK 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 principal activity of KYI is trading of toys, electronic products, and sourcing of materials.

Although the Directors are optimistic about the long term performance and potential of our core businesses, in view of the recent adverse impact on the economy worldwide particularly induced by the Sino-US trade war, the Directors believe that the Disposals will build a war chest by providing the Group with additional working capital for its operations and investment so as to deal with the uncertainties ahead of us and seize appropriate opportunities as well. The proceeds of the Disposals will be used to fund general working capital needs and other corporate purposes. Given that the ownership of the properties to be disposed of is not critical to the operations of the Group's business, the Directors are of the opinion that the divestment would not have any material impact on the overall business operations of the Group and believe that the divestment would enhance not only the cash position of the Company but also its resources allocation strategy and complementing its strategic and operational flexibility.

Having considered the abovementioned reasons for and benefits of the Disposals, the Directors, including the independent non-executive Directors, consider that the terms of the S&P Agreement and the Memorandum Agreement and the transactions contemplated under are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

6. CONSIDERATION

Given that Unicon will not own any material assets or liabilities other than Property 1 immediately prior to the completion of the S&P Agreement, the consideration with respect to Disposal 1 was reached after arm's length negotiations between the parties with reference to the valuation of the Property 1 made by the independent property valuers (the "Independent Property Valuers") of HK\$43,000,000 as at 31 March 2019 and the preliminary updated valuation of Property 1 made by the Independent Property Valuers of HK\$39,500,000 which was finalised as set out in Appendix II to this circular dated 11 March 2020.

LETTER FROM THE BOARD

The consideration for Disposal 1 of HK\$39,500,000 represents a discount of approximately HK\$3,836,000 (or approximately 8.9%) to the net asset value of Unicon as at 31 March 2019 of HK\$43,336,000. However, such discount is of less relevance on the basis of determining the consideration as the key reference shall be the valuation of Property 1. In addition, the relevant net asset value shall be referred to that on the Group level where Property 1 is classified under the property, plant and equipment (instead of investment property) and shall take into account the associated deferred tax liabilities of approximately HK\$7,200,000 and revaluation loss of approximately HK\$3,500,000 and depreciation of approximately HK\$1,300,000, resulting in the relevant net asset value of approximately HK\$33,700,000 (subject to audit). The consideration for Disposal 1 hence represents a premium of approximately HK\$5,800,000 (or approximately 17.2%) to the adjusted net asset value of HK\$33,700,000.

The consideration with respect to Disposal 2 was reached after arm's length negotiations between the parties with reference to the valuation of the Property 2 made by the Independent Property Valuers of HK\$22,000,000 as at 31 March 2019 and the preliminary updated valuation of the Property 2 made by the Independent Property Valuers of HK\$19,750,000 which was finalised as set out in Appendix II to this circular dated 11 March 2020.

The consideration for Disposal 2 of HK\$19,750,000 represents a discount of approximately HK\$2,250,000 (or approximately 10.2%) to the book value of Property 2 as at 31 March 2019 of HK\$22,000,000. However, such discount is of less relevance on the basis of determining the consideration as the consideration is based on the current capital value of Property 2 which is lower than the book value as at 31 March 2019 in accordance with the prevailing market conditions.

Having considered the capital value of Property 1 and Property 2 with reference to the valuation made by the Independent Property Valuers, the Directors, including the independent non-executive Directors, consider that each of the considerations for Disposal 1 and Disposal 2 is fair and reasonable.

7. FINANCIAL EFFECTS

For Disposal 1, it is expected that the net asset value or carrying value of Unicon at the completion of Disposal 1 shall be approximately HK\$33,700,000 after taking into account of the movement of revaluation reserve since 31 March 2019 arising from the updated valuation of Property 1 and the associated deferred tax liabilities. Accordingly, the Disposal of the entire equity interest in Unicon at a consideration of HK\$39,500,000 is expected to give rise to a gain of approximately HK\$5,800,000 (subject to audit) for the Group.

Upon the completion of the Disposal 1, Unicon will cease to be a subsidiary of the Company and its financial statements will no longer be consolidated into the Group's financial statements.

For Disposal 2, the fair value of the Property 2 by reference to its open market value based on the preliminary updated valuation made by the Independent Property Valuers of HK\$19,750,000 which was finalised as set out in Appendix II to this circular dated 11 March 2020. The Disposal 2 at a consideration of HK\$19,750,000 is expected to give rise to an impairment loss of approximately HK\$1,950,000 (subject to audit) representing the fair value change of Property 2 which was classified as asset held for sale since July 2019 with a carrying value of approximately HK\$21,700,000.

LETTER FROM THE BOARD

As announced by the Company, following Disposal 1, the Company will lease back Property 1 for an annual lease rental of HK\$1,497,600 (inclusive of government rent, rates and management fees). The Directors are of the view that the increase in rental expenses relating to the Disposals will have no material impact on the financial position of the Group or the earnings of the Group as the difference between the additional rental expenses and the reduction in depreciation expenses (for illustration purpose, the annual depreciation expenses in relation to Property 1 for the financial year ending 31 March 2020 would amount to HK\$1,720,000, being equivalent to 4% of the capital value of the property) with respect to Property 1 and Property 2 is not significant.

8. LISTING RULES IMPLICATIONS WITH RESPECT TO DISPOSALS

In accordance with Rule 14.22 of the Listing Rules, Disposal 1 and Disposal 2 shall be aggregated as if they were one transaction for the purpose of Chapter 14 of the Listing Rules. Given that Mr Cheng, an executive Director, the chairman and chief executive officer of the Company and the controlling shareholder of the Company with a shareholding of 283,064,000 Shares representing approximately 64.48% shareholding in the Company as at the Latest Practicable Date, each of Mr Cheng and his associates, Century Grand, is a connected person of the Company, and one or more of the relevant applicable percentage ratios (as defined in the Listing Rules) for Disposal 1 and Disposal 2 (in aggregate) exceeds 5% but is less than 25%, Disposal 1 and Disposal 2 (in aggregate) hence constitutes a discloseable transaction and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules and is subject to the reporting, announcement, and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

Voting at the SGM will be conducted by poll and Mr Cheng and his associates will abstain from voting at the SGM.

9. SPECIAL GENERAL MEETING

A notice convening the SGM to be held at Studio Room, 4/F., pentahotel Hong Kong, Kowloon, 19 Luk Hop Street, San Po Kong, Kowloon, Hong Kong on Monday, 30 March 2020 at 3:00 p.m. is set out on pages 42 to 43 of this circular. Ordinary resolution will be proposed to the Independent Shareholders at the SGM to consider and, if thought fit, to approve the S&P Agreement and the Memorandum Agreement and the transactions contemplated thereunder.

A form of proxy for the SGM is enclosed with this circular. Whether or not you will be able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM and any adjourned meeting (as the case may be) should you so wish.

LETTER FROM THE BOARD

In accordance with Rule 13.39(4) of the Listing Rules, voting at the SGM will be conducted by poll. As at the Latest Practicable Date, Mr Cheng and his associates, in aggregate holding 283,064,000 Shares, representing approximately 64.48% of the issued share capital of the Company, will abstain from voting at the SGM on the resolution relating to the S&P Agreement and the Memorandum Agreement and the transactions contemplated thereunder. The results of the voting will be announced in accordance with Rule 2.07C of the Listing Rules after the SGM.

None of the Directors other than Mr Cheng had any material interest in the Disposals and thus Mr Cheng abstained from voting on the Board resolutions approving the Disposals.

10. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 March 2020 to Monday, 30 March 2020, both days inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the SGM.

In order to qualify for attending and voting at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 24 March 2020.

11. RECOMMENDATION

Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 13 to 14 in this circular which contains its recommendation to the Independent Shareholders in relation to the S&P Agreement and the Memorandum Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 15 to 27 in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the S&P Agreement and the Memorandum Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) consider that the Disposals are in the interests of the Company and the Shareholders as a whole, and the terms of the S&P Agreement and the Memorandum Agreement are fair and reasonable and are on normal commercial terms and in the ordinary and usual course of business of the Group. The Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

LETTER FROM THE BOARD

12. ADDITIONAL INFORMATION

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

Yours faithfully,

On behalf of the Board

Cheng Chor Kit

Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

11 March 2020

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF PROPERTY

We refer to the circular dated 11 March 2020 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, terms of the S&P Agreement and the Memorandum Agreement are fair and reasonable, are on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Odysseus has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the S&P Agreement and the Memorandum Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 12 of the Circular and the text of the letter from Odysseus, as set out on pages 15 to 27 of the Circular, both of which provide details of the S&P Agreement and the Memorandum Agreement and the transactions contemplated thereunder.

Having considered (i) the S&P Agreement and the Memorandum Agreement, (ii) the advice of the Independent Financial Adviser, and (iii) the relevant information contained in the letter from the Board, we are of the opinion that consider that the Disposals are in the interests of the Company and the Shareholders as a whole, and the terms of the S&P Agreement and the Memorandum Agreement are fair and reasonable and are on normal commercial terms and in the ordinary and usual course of business of the Group.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

Yours faithfully,
For and on behalf of
**The Independent Board Committee of
Kin Yat Holdings Limited**

WONG Chi Wai
Independent non-executive Director

SUN Kwai Yu, Vivian
Independent non-executive Director

CHENG Kwok Kin, Paul
Independent non-executive Director

CHEUNG Wang Ip
Independent non-executive Director

LETTER OF ADVICE FROM ODYSSEUS

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Shareholders for inclusion in this circular.



ODYSSEUS CAPITAL ASIA LIMITED

Suite 7B, Wyndham Place
40-44 Wyndham Street, Central
Hong Kong

11 March 2020

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sir or Madam,

PROPOSED CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF PROPERTIES

INTRODUCTION

We refer to our appointment as Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the S&P Agreement entered into by KYHK (an indirect wholly-owned subsidiary of the Company) and Mr Cheng and the Memorandum Agreement entered into by KYI (an indirect wholly-owned subsidiary of the Company) and Century Grand (a company wholly owned by Mr Cheng) on 21 January 2020, details of which are set out in the section headed “Letter from the Board” in the circular (“Circular”) of the Company dated 11 March 2020 to the Shareholders, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular, unless the context requires otherwise.

On 21 January 2020, KYHK and Mr Cheng entered into the S&P Agreement, pursuant to which KYHK shall sell, as legal and beneficial owner, to Mr Cheng, and Mr Cheng shall purchase the entire equity interest in Unicon (an indirect wholly-owned subsidiary of the Company) free from all encumbrances at the consideration amounted to HK\$39,500,000, which shall be settled by way of cash. On the same day, KYI and Century Grand entered into the Memorandum Agreement, pursuant to which KYI shall sell Property 2 (together with Property 1, the “Properties”) to Century Grand and Century Grand shall purchase Property 2 at the consideration amounted to HK\$19,750,000, which shall also be settled by way of cash.

LETTER OF ADVICE FROM ODYSSEUS

As at the date of the Circular, KYHK and KYI are indirect wholly-owned subsidiaries of the Company. In accordance with Rule 14.22 of the Listing Rules, Disposal 1 and Disposal 2 shall be aggregated as if they were one transaction. As Mr Cheng is a connected person of the Company, and one or more of the relevant applicable percentage ratios (as defined in the Listing Rules) for the Disposals exceed 5% but is less than 25%, the Disposals (as a whole) hence constitute a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules and are subject to the reporting, announcement, and Independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

Since as at the Latest Practicable Date, Mr Cheng held approximately 64.48% of the total issued Shares and is materially interested in the S&P Agreement and the Memorandum Agreement, he and his associates will abstain from voting at the Special General Meeting ("SGM") as required under the Listing Rules. Save as aforesaid, no other Shareholders is required to abstain from voting on the resolution approving the S&P Agreement and the Memorandum Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all independent non-executive Directors, being Mr Wong Chi Wai, Dr Sun Kwai Yu, Vivian, Mr Cheng Kwok Kin, Paul and Mr Cheung Wang Ip, has been established to advise and give recommendations to the Independent Shareholders on the voting in relation to the S&P Agreement and the Memorandum Agreement and the transactions contemplated thereunder. The Board confirms that none of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the S&P Agreement and/or the Memorandum Agreement.

We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the S&P Agreement and the Memorandum Agreement are fair and reasonable, the Disposals are on normal commercial terms and the Disposals, as far as the Independent Shareholders are concerned, are in the interests of the Company and the Shareholders as a whole; and to give independent advice to the Independent Board Committee and Independent Shareholders as to whether the Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the SGM with respect to the Disposals.

Basis of Opinion

In formulating our opinion, we have considered, among other things, (i) the Circular; (ii) the S&P Agreement and the Memorandum Agreement; (iii) the annual reports of the Company for the years ended 31 March 2018 ("2018 Annual Report") and 2019 ("2019 Annual Report", together the "Annual Reports") and the interim reports of the Company for the six months ended 30 September 2018 ("2019 Interim Report") and 2019 ("2020 Interim Report", together the "Interim Reports"); and (iv) relevant market data and information available from the website of the Stock Exchange and other public sources. We have also relied on all relevant information and representations supplied, and the opinions expressed, by the Directors and the management of the Company. We have assumed that all such information and representations contained or referred to in the Circular were true and accurate in all material respects as at the date thereof. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have also confirmed that, having made all reasonable enquiries and to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular, the omission

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of which would make any statement in the Circular misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company, and they have confirmed that no material information has been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading. In relation to the third party expert, i.e. the independent property valuer, namely Asset Appraisal Limited (the “Independent Valuer”), providing valuation relevant to the Disposals for inclusion in this letter, we have taken all reasonable and necessary steps to comply with the requirements set out in Rule 13.80 of the Listing Rules and we are not aware of any issues that shall be brought to the Independent Shareholders’ attention. The steps taken by us included the following:

- (i) discussing with the Independent Valuer with respect to its scope of work under its engagement by the Company, its expertise and any current or prior relationships with the Company, other parties to the S&P Agreement and the Memorandum Agreement and connected persons of either the Company or other parties to the S&P Agreement and the Memorandum Agreement; and
- (ii) save for the information as disclosed in the Circular, we are not aware that the Company or other parties to the S&P Agreement or the Memorandum Agreement has made formal or informal representation to the Independent Valuer.

We confirm the Independent Valuer’s scope of work is appropriate to the opinion required to be given and no limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuation Report (as defined below).

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business affairs, operations, financial position or future prospects of each of the Company, the vendors of the S&P Agreement and the Memorandum Agreement and any of their respective subsidiaries and associates.

We act as the Independent Financial Adviser to give advice to the Independent Board Committee and the Independent Shareholders in relation to the subject connected transaction of the Company. The facts of the discloseable and connected transaction were described in the Circular dated 11 March 2020. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence, nor have we provided any other services to the Company in the past 2 years. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had 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.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the discloseable and connected transaction, we have considered the following principal factors and reasons:

1. Background of the Group and Properties

i. Information on the Company

Reference is made to the Annual Reports and the Interim Reports with respect to the financial information of the Group in Table 1 below:

Table 1: Financial highlight of the Group

	For the year ended 31 March		For the six months ended 30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Unaudited	Unaudited
Revenue	4,221,878	3,034,274	1,892,147	2,109,790
Gross Profit	302,729	305,996	179,775	182,722
Profit for the period	110,411	149,706	76,483	55,246
	As of 31 March		As of 30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Audited	Audited	Unaudited	Unaudited
Non-current assets	1,541,484	1,240,511	1,472,461	1,383,697
Current assets	1,847,987	1,623,224	1,686,814	1,991,436
Total asset	3,389,471	2,863,735	3,159,275	3,375,133
Current liabilities	2,040,170	1,264,231	1,614,452	1,789,614
Non-current liabilities	139,375	441,460	351,436	497,300
Total liabilities	2,179,545	1,705,691	1,965,888	2,286,914
Net assets	1,209,926	1,158,044	1,193,387	1,088,219

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With the reference to the above table, for the year ended 31 March 2019, the Group recorded a total revenue of HK\$4,221,878,000 (2018: HK\$3,034,274,000), representing an increase of approximately 39.14% from the previous year. Profit for the year ended 31 March 2019 was approximately HK\$110,411,000 (2018: HK\$149,706,000), representing a decrease of approximately 26.25%. Earnings decline was mainly due to the decrease in profitability of the electrical and electronic products segment and the motors segment, attributable to the general increase in labour and material costs. For the six months ended 30 September 2019, the Company recorded a revenue of HK\$1,892,147,000 (2018: HK\$2,109,790,000), representing a decrease of 10.32%. According to the 2020 Interim Report, the decline in revenue was mainly due to the Sino-US trade war, Brexit and regressing economy which in turn caused negative consumer sentiment. However, profit margins began to improve during the six months ended 30 September 2019 which was attributed to the Company's sincere effort in maintaining proper costs control, optimization of manpower and labour efficiency, and the mild depreciation in the Renminbi exchange rate against the US dollar.

As of 31 March 2019, non-current assets amounted to HK\$1,541,484,000 (2018: HK\$1,240,511,000), representing a 24.26% increase while total assets amounted to HK\$3,389,471,000 (2018: HK\$2,863,735,000). According to the Annual Reports, as of 31 March 2019, the Group's land and building in Hong Kong were revaluated based on valuation performed by an independent valuer at HK\$87,000,000 (2018: HK\$78,700,000). Revaluation surpluses of HK\$68,930,000 (2018: HK\$34,968,000) resulting from the Hong Kong, PRC and Malaysia revaluation were credited to the asset revaluation reserve. Moreover, intangible assets, investment in associates and investment properties also contributed to the increase in non-current assets as at 31 March 2019. As at 31 March 2019, total liabilities amounted to HK\$2,179,545,000 (2018: HK\$1,705,691,000), representing an increase of approximately 27.78%. The increase in total liabilities was mainly due to an increase in contract liabilities over that of the previous year (2018: Nil).

As of 30 September 2019, current assets dropped to HK\$1,686,814,000 (as of 31 March 2019: HK\$1,847,987,000), representing a decrease of approximately 8.72%, which was mainly attributed to a decrease of HK\$282,190,000 in inventories. As a result, total assets dropped to HK\$3,159,275,000 as of 30 September 2019 (as of 31 March 2019: HK\$3,389,471,000), representing a 6.80% decrease.

Despite the margin has improved which was mainly attributed to cost controlling effort, manpower optimization and enhanced labour efficiency during the six month ended 30 September 2019 mentioned above, the revenue has dropped due to volatile external business environment and sluggish sentiment for consumer products. The decline in net asset value was mainly attributed to the depreciation of the Renminbi.

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ii. Information of Unicon

Unicon is an investment holding company for the sole purpose of holding Property 1. Before the completion of Disposal 1, KYI has been occupying Property 1 and its revenue represented the rental income received and receivable. The financial information of Unicon as extracted from its audited financial accounts is summarized as follows:

Table 2: Financial highlight of Unicon

	For the year ended 31 March	
	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,872	1,872
Fair value gain on investment properties	9,000	4,000
Profit after taxation	10,369	4,993
Net asset value	38,344	43,336

According to the Company, the book value of Property 1 as at 31 March 2018 and 2019 was HK\$39,000,000 and HK\$43,000,000, respectively. Based on the audited financial information above, fair value gain on Property 1 in the Company amounted to HK\$9,000,000 and HK\$4,000,000 for the years ended 31 March 2018 and 2019, respectively, which implied that Property 1 has been revalued up by HK\$13,000,000 in the past two financial years.

iii. Information of Property 2

Property 2 was occupied by the Group until around June 2018 and has been vacant since then. The book values (based on the capital value according to the property valuation) of Property 2 according to the audited accounts of the Group as at 31 March 2018 and 31 March 2019 were HK\$19,900,000 and HK\$22,000,000, respectively. No property valuation was conducted by the Group on Property 2 during the period since 1 April 2019 until the date of the Valuation Report set out in the Circular.

2. Outlook of the industrial property market in Hong Kong

According to the half-yearly World Economic Outlook (WEO) by International Monetary Fund (IMF) published in January 2020, it is expected that global and China GDP growth in 2020 would be lower than the previous year. With Hong Kong's economy highly dependent on international trade and finance, Hong Kong economic outlook is adversely affected by the continued Sino-US trade dispute. The local economy was further hindered by the social unrest resulting from the debut of a controversial bill in Hong Kong. Considering the persistent downward pressure on the local economy, Mr. AU Sik Hung, Andrew, JP, the HKSAR Government Economist has revised Hong Kong's economic forecast down to 1.3% in 2019. In September 2019, Fitch Ratings Inc. downgraded Hong Kong for the first time since 1995 to AA from AA+ with a negative outlook, citing that the territory's recent political turmoil raised doubts about its governance. As disclosed in the annual budget speech by Mr. Chan Mo-Po, Paul, Hong Kong Financial Secretary on

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26 February 2020, the outbreak of the novel coronavirus epidemic will affect production and transportation in China and Asia as well as the global supply chain operation and will lead to a further blow to the global economy. The International Monetary Fund has therefore lowered the China's and global economic growth forecasts for this year recently. He concluded that Hong Kong's economy will be facing enormous challenges this year and the outlook is far from promising in the near term. Having regard to the stimulus effect of the fiscal measures, he forecasted Hong Kong economy will grow by -1.5 per cent to 0.5 per cent in real terms in 2020.

The real estate market in Hong Kong also experienced similar downturn amid the negative economic circumstances. According to a recent report by Savills Research & Consultancy in October 2019, the real estate investment sentiment in Hong Kong is expected to remain dampened with uncertainty looming over local and global economics while support specific for the industrial estate market relies largely on the success of the redevelopment activities of which has slowed down gradually. Volume and value of industrial properties fell by 31% and 74% y-o-y in Q2/2019.

Looking into 2020, Jones Lang LaSalle stated in its press release in December 2019 that although industrial properties would be buoyed by industrial revitalization opportunities and tight vacancy, the capital values of prime industrial properties are projected to drop 5% to 10%. Such market sentiment has also been reflected in the government's record. According to the latest data from the HKSAR Government Renting and Valuation Department, the number of transactions and the consideration of flatted factories by the end of 2019 are recorded to drop significantly respectively for 70% and 80% from the peak in March 2019.

With respect to the industrial properties in the San Po Kong area where the subject Properties are located, we have discussed with a number of industrial property agents and consultants who are familiar with that area. It was evidenced that there has been an increase in prices of industrial properties in the past few years as reflected in the financial statements of Unicon set out above. However, prices have declined tremendously and activities have started to slow down since the Sino-US trade dispute intensified, whilst the market further deteriorated as a result of the outbreak of social unrest in Hong Kong since June 2019. Most interested buyers of these properties were investors with revitalization visions but demand from both these buyers as well as users/occupiers has dried up dramatically since last year. Despite the opening of Phase 1 of the Tuen Ma rapid transit line in February 2020, there has been minimal impact on the industrial property market in the vicinity since the market has already factored in the news in the past years and that the residential property market is, in general, expected to benefit more from the new rapid transit line, in particular in the areas where there were no MTR stations before, such as Kai Tak.

3. Reasons for the Disposals

The principal activity of the Company is investment holding with main operations of business in countries outside Hong Kong. The Group operates two main business streams, namely manufacturing businesses segment and non-manufacturing business segment. In the manufacturing arena, it is engaged in the research-and-development-based production of electrical and electronic products, 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.

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Based on the management discussion and analysis in the 2019 Annual Report, the three main factories for manufacturing business are located in Shenzhen, Shixing and Dushan. Additionally, a motor facility is in operation in Malaysia. Given that the assets to be disposed of are not critical to the operations of the Group's manufacturing business, the Directors are of the opinion that the divestment of the Properties in Hong Kong would not have any material impact on the overall business operations of the Group.

In the 2019 Annual Report, the chairman was of the view that the Group would continue to maintain a strong financial position whilst allocating funding from internal resources and bank borrowings to support the Group's necessary capital expenditures for the development of its core businesses. The management also expected to face considerable uncertainties associated with the global economic environment and the transition of China from an exported growth model to one that was more domestic demand driven. As a result, the Group's main task was to upgrade its production capability and automation in order to enhance overall competitiveness, while contemplating new initiatives to strengthen and diversify its production base in the longer term and recouping the investments in its real estate development business segment. Having considered the current economic circumstances and market environment, we are of the view that the Disposals align with the Group's intended strategy and are in the interests of the Group and the Shareholders.

Based on the Circular, we note that the Directors are optimistic about the long-term performance and potential of the Group's core businesses. However, in view of the recent adverse impact on the economy worldwide particularly induced by the Sino-US trade war, we concur with the Directors' belief that the Disposals will allow the Group to build a war chest by providing the Group with additional working capital for its operations and investment so as to deal with the uncertainties ahead of the Group and seize appropriate opportunities when they arise. The proceeds of the Disposals will be used to fund general working capital needs and other corporate purposes. Given that the ownership of the Properties to be disposed of is not critical to the operations of the Group's business, the Directors are of the opinion that the divestment would not have any material impact on the overall business operations of the Group and believe that the divestment would enhance the cash position of the Company.

Having considered the business strategy of the Company and the aforementioned benefits to be achieved by the Company, we are of the view that the Disposals are in line with the Company's stated strategy and are in the interests of the Group and the Shareholders as a whole.

4. Principal terms of the S&P Agreement and the Memorandum Agreement

The proposed discloseable and connected transaction consists of the transactions contemplated under the S&P Agreement and the Memorandum Agreement.

We have considered the following terms and conditions of the S&P Agreement and the Memorandum Agreement, in particular i) Asset to be disposed of; ii) Consideration; iii) Payment terms; and iv) Conditions precedent. For details of such terms and conditions, please refer to the Letter from the Board in this Circular except ii) Consideration.

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Basis of Consideration

Based on the Circular, the consideration with respect to Disposal 1 was reached after arm's length negotiations between the parties with reference to the valuation of Property 1 prepared by the Independent Valuers of HK\$43,336,000 as at 31 March 2019 and the preliminary updated valuation of Property 1 made by the Independent Valuer of HK\$39,500,000 which was finalised as set out in Appendix II to the Circular dated 11 March 2020. Likewise, the consideration with respect to Disposal 2 was reached after arm's length negotiations between the parties with reference to the valuation of Property 2 prepared by the Independent Valuer of HK\$22,000,000 as at 31 March 2019 and the preliminary updated valuation of Property 2 made by the Independent Valuer of HK\$19,750,000 which was finalised as set out in the Circular.

We have compared the consideration for Disposal 1 with the net asset value of Unicon and that of Disposal 2 with the carrying value of Property 2 as shown in the table below.

Table 3: Summary of the Disposals

	Particulars of occupancy as of LPD	Saleable Area (square feet)	Consideration <i>HK\$'000</i>	Net asset value/Book value (31 March 2019) <i>HK\$'000</i>	(Discount) %
Unicon (Property 1)	Occupied by the Group	8,640	39,500	43,336	-8.85%
Property 2	Vacant	4,320	19,750	22,000	-10.23%
		Total:	59,250	65,336	-9.31%

Note: Net asset value of Unicon or carrying value of Property 2 in the Group's accounts.

As shown above, the consideration for Disposal 1 of HK\$39,500,000 represents a discount of approximately HK\$3,836,000 (or approximately 8.85%) to the audited net asset value of Unicon as at 31 March 2019 whilst the consideration for Disposal 2 represents a discount of approximately HK\$2,250,000 (or approximately 10.23%) to the book value of Property 2 as at 31 March 2019. However, we are of the view that the above analysis is of less relevance in assessing the fairness of the consideration as the consideration should be determined based on the current capital values of the Properties, which closely reflect the prevailing market conditions in the industrial property sector, as opposed to historical figures. The current capital values are expected to be much lower than those as of 31 March 2019 since the market started to deteriorate dramatically thereafter as described under the section headed "Outlook of the Industrial Property Market in Hong Kong" above. In addition, all the assets (apart from Property 1) and liabilities of Unicon will be stripped off immediately prior to the completion of Disposal 1 and hence any comparison with the historical net asset value of Unicon would be deemed inappropriate.

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Having considered the capital values of the Properties with reference to the updated valuations made by the Independent Valuer, we concur with the Directors' view that the basis of determining the consideration for each of the Disposals is fair and reasonable. Your attention is also drawn to the section headed "Valuation of the Properties" below where a detailed analysis of the updated valuation of the Properties is set out.

5. Valuation of the Properties

According to the valuation report prepared by the Independent Valuer on the Properties as set out in Appendix II to the Circular ("Valuation Report"), the market values of Property 1 and Property 2 were HK\$39,500,000 and HK\$19,750,000, respectively.

To assess the fairness and reasonableness of the consideration of the Disposals, we have reviewed the Valuation Report and discussed with the Independent Valuer regarding the methodology adopted for the basis and the assumptions used in arriving the valuation. It is noted that Independent Valuer carried out a site visit to the Properties on 15 January 2020. In valuing the Properties, the Independent Valuer has (i) adopted comparison approach and (ii) complied with the requirements set out in the HKIS Valuation Standards 2017 Edition published by Hong Kong Institute of Surveyors, Chapter 5 of the Listing Rules on the main board and practice note 12 to the Listing Rules.

During the discussions with the Independent Valuer, we (i) enquired as to its expertise and current or prior relationships with the Company, KYHK, KYI, Mr Cheng and Century Grand or any of their core connected persons and respective subsidiaries or associates; (ii) reviewed the terms of engagement (in particular whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the level of assurance given by the Valuation Report); and (iii) reviewed the relevant track records and qualification of the Independent Valuer. We also confirm that the Independent Valuer is independent of the Group as it is not a subsidiary of the Company or holding company or a subsidiary of the Company's holding company nor is any of its partners, directors or officers an officer or servant or proposed director of the Company or the Company's subsidiary or holding company or of a subsidiary of the Company's holdings company or any associated company pursuant to Rule 5.08 of the Listing Rules. Based on our discussions with the Independent Valuer and review of the aforesaid information, we understand that the Independent Valuer has the required qualification and experience in performing the property valuation in Hong Kong, details of which can also be found in the Valuation Report incorporated in the Circular.

As advised by the Independent Valuer, the comparison approach was considered as an appropriate methodology in assessing the value of the Properties given the availability of the market information of actual sales transactions of comparable properties and potential property sales obtained from The Land Registry of HKSAR and agency companies respectively, which is considered to be the best indicator of the fair value of the Properties. We understand the Independent Valuer has also considered other valuation approaches including cost approach and income approach. The Independent Valuer believes the valuation errors of the Properties using cost approach and income approach are relatively larger compared to those adopting the comparison

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approach because many uncertain variables such as yield and time will affect the valuation significantly. In view of the above, we concur with the Independent Valuer in adopting the direct comparison approach for the purpose of the valuation.

The Independent Valuer has conducted desktop research and selected comparable properties with the following criteria (i) the age of the buildings ranging from 23 to 56 years (compared with 49 years for the Properties) , (ii) transactions which occurred between 1 June 2019 and 20 January 2020; (iii) saleable area similar to the Properties and (iv) locations in the vicinity of the Properties in the San Po Kong district. We have reviewed the comparable properties and sales transactions adopted by the Independent Valuer and have discussed with them whether they have all the most suitable comparable properties which meet the selection criteria as identified by them based on their best information. Furthermore, we have discussed with the Independent Valuer to understand the assumptions which have been made by them to the comparable properties in terms of, among others, location, size and age of buildings whilst carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of the market value of the Properties. Adjustments in respect of the prices of the comparable properties are made to account for the identified differences in the relevant factors in compliance with the standards and guidelines set out in the HKIS Valuation Standards 2017 Edition published by the Hong Kong Institute of Surveyors.

After our discussions with the Independent Valuer and our independent assessment, we believe that the comparable properties selected based on the criteria implemented by the Independent Valuer are exhaustive, fair and reasonable. During our review of the Valuation Report and discussions with the Independent Valuer, we did not note any irregularities in relation to the Valuation Report nor did we have any disagreements on the methodologies and assumptions used in the Valuation Report. The Independent Valuer has also confirmed that it has taken the opening of the Phase 1 of the Tuen Ma Line into consideration in the Valuation Report. Based on the above, we are of the view that the bases, assumptions and methodologies adopted in arriving at the valuation are fair and reasonable. Hence, we consider it reasonable that the KYHK, KYI, Mr Cheng and Century Grand would make reference to, among other things, the Valuation Report of Disposals when determining the consideration.

Given the market uncertainties arising from the various factors such as the Sino-US trade war, the recent Novel Coronavirus outbreak, the social unrest in Hong Kong, etc, have created a material adverse impact on the entire property market in Hong Kong, we believe that it would not be easy to identify willing buyers for industrial properties under the current market environment, let alone realizing at an updated appraised price by an independent valuer. We have also done an independent assessment on the valuation of the Properties by searching for existing listings of similar properties currently available for sale in the market in the surrounding area, i.e. the San Po Kong district. Owing to the differences in size, age, location and individual features of each property and the relatively vast amount of similar properties available for sale, the asking prices of these properties might not represent the final transactable values of these properties due to the sluggish nature of the prevailing market. Based on our discussions with several property agents, it is not unreasonable to expect the transactable prices to be at a discount of 10% to 30% to the asking prices of these properties since the liquidity of these properties is very thin due to the reasons set out in the section headed “Outlook of the Industrial Property Market in Hong Kong” above. Moreover, the Board has confirmed to us that there have been no other alternative offers made by any independent third party

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for the Properties. As a result, we are of the view that having made reference to the Independent Valuer's updated appraised valuation, the consideration of the Disposals is fair and reasonable as far as the Company and the Independent Shareholders are concerned.

6. Financial effect of the Disposals

Based on our discussions with the Directors, we understand that the Directors have taken into account the following factors when they consider the potential impact of the Disposals on the financial position of the Company:

i) Earnings

Upon completion of the S&P Agreement and the Memorandum Agreement, it is expected that the net asset value or carrying value of Unicon as at completion of Disposal 1 shall be approximately HK\$33,700,000, after taking into account of the movement of the revaluation reserve since 31 March 2019 arising from the updated valuation of Property 1 and the associated deferred tax liabilities. Accordingly, it is estimated that the Group would record an unaudited gain amounted to HK\$5,800,000 from Disposal 1 and Disposal 2 is expected to give rise to an impairment loss of approximately HK\$1,950,000. As a result, a net gain of HK\$3,850,000 (subject to audit) in aggregate is expected following completion of the Disposals.

In accordance with the Circular, the Company will lease back Property 1 for an annual lease rental of HK\$1,497,600 after Disposal 1. The Directors are of the view that the increase in rental expenses relating to the Disposals will have no material effect on the earnings or the financial position of the Group as the difference between the additional rental expenses and the reduction in depreciation expenses amounting to approximately HK\$1,720,000 with respect to the Properties is not significant.

Upon the completion of Disposals, Unicon will cease to be a subsidiary of the Company and its financial statements will not be consolidated into the Group's financial statements.

ii) Net assets

The Company expects that the unaudited net assets of the Group would increase by HK\$3,850,000 (subject to audit) upon the completion of the Disposals as the total net cash proceeds from the Disposals are larger than the aggregate carrying value of the Properties.

iii) Liquidity

As at 30 September 2019, the unaudited net current assets of the Group were approximately HK\$72,400,000. The Company expected that the net current assets of the Group would improve due to the increase in total current asset upon completion of the Disposals.

The aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be after the Company entered into the S&P Agreement and the Memorandum Agreement or upon completion of the Disposals.

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RECOMMENDATIONS

As mentioned above, the completion of the Disposals is conditional upon, *inter alia*, the Independent Shareholders having approved the transactions contemplated under the S&P Agreement and the Memorandum Agreement at the SGM.

We have considered the principal terms of Disposals as a whole in order to derive our opinion, having considered the above principal factors and reasons, in particular that:

- the outlook of the industrial property market in Hong Kong remains uncertain on the back of slowdown of economic growth, Sino-US trade negotiations, coupled with the recent social turmoil in Hong Kong and the outbreak of the Novel Coronavirus in China and Hong Kong;
- the substantial increment of HK\$13,000,000 in capital values of Property 1 in the past two years;
- the Disposals are transacted at the market valuation performed by the Independent Valuer and on normal commercial terms to secure the vendors' and purchasers' rights and obligations under the discloseable and connected transactions;
- given the lack of market liquidity for industrial properties, the Group may not be able to dispose of both Properties simultaneously. Mr Cheng, being the substantial Shareholder, is a natural buyer for the properties in concern who is familiar with the Properties and can commensurate a speedy completion of the Disposals at market valuation under the current market situation whilst saving agency fees for the Group; and
- it is in the interest of the Group to build a war chest amidst market uncertainties,

we are of the view that the terms of the S&P Agreement and Memorandum Agreement as a whole and the transactions contemplated thereunder are fair and reasonable, are on normal commercial terms and in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution in relation to the Disposals at the SGM. We also recommend the Independent Shareholders to vote in favour of the resolution in relation to the Disposals at the SGM.

Yours faithfully,
For and on behalf of
Odysseus Capital Asia Limited
Joseph Chu
Chief Executive Officer

Note: Mr. Joseph Chu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the SFO since 2003. He has participated in and completed numerous advisory transactions in respect of connected transactions of listed companies in Hong Kong.

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 enquires, 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required 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 they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Interests in the shares of the Company (Long Position)

Name of Director	Capacity	Number of Shares held	Approximate percentage of the Company's issued Shares ^(Note 1)
Mr Cheng Chor Kit	Interests on controlling corporation	252,920,000 <i>(Note 2)</i>	57.62%
	Beneficial owner	26,444,000	6.02%
	Interests held by spouse	3,700,000	0.84%
Mr Fung Wah Cheong, Vincent	Beneficial owner	8,152,000	1.85%
Mr Liu Tat Luen	Beneficial owner	2,000,000	0.45%
Mr Cheng Tsz To	Beneficial owner	3,000,000 <i>(Note 3)</i>	0.68%
Mr Cheng Tsz Hang	Beneficial owner	3,000,000 <i>(Note 3)</i>	0.68%
Mr Wong Chi Wai	Beneficial owner	500,000	0.11%
Dr Sun Kwai Yu, Vivian	Beneficial owner	1,000,000	0.22%
Mr Cheng Kwok Kin, Paul	Beneficial owner	80,000	0.01%
Mr Cheung Wang Ip	Beneficial owner	200,000	0.04%

Notes:

1. The percentage of shareholding is calculated based on 438,960,000 shares, being the total number of issued ordinary shares of the Company as at the Latest Practicable Date.
2. These shares are held by Resplendent Global Limited (“**Resplendent**”), a wholly-owned subsidiary of Padora Global Inc. (“**Padora**”).

As reported in the annual report of the Company for the year ended 31 March 2019, after the completion of the restructuring exercise of the discretionary trust (the “**Trust**”) established by Mr Cheng, Mr Cheng has become directly interested in 52.0% of the voting shares in Padora since 2 April 2019.

3. After the aforesaid restructuring exercise of the Trust, Mr Cheng Tsz To and Mr Cheng Tsz Hang ceased to be interested in 252,920,000 shares in the Company in the capacity as the beneficiary of the Trust.

Interests in the shares of associated corporations of the Company (Long Position)

Name of associated corporation	Name of Director	Capacity	Nature of interests	Number of shares held	% of issued capital of the associated corporation
Padora Global Inc.	Mr Cheng Chor Kit	Beneficial owner	Personal Interest	520	52.0%
		Interest held by spouse	Family interest	160	16.0%
	Mr Cheng Tsz To	Beneficial owner	Personal Interest	160	16.0%
	Mr Cheng Tsz Hang	Beneficial owner	Personal Interest	160	16.0%

Interests in the underlying shares of the Company (Long Position)

Name of Director	Capacity	Number of underlying shares in respect of share options held and approximate percentage of shareholding	Date of share options granted	Exercise period	Exercise price per share
Mr Wong Chi Wai	Beneficial	300,000 (0.06%)	29/03/2011	29/03/2011 - 28/03/2021	2.792
	Owner	400,000 (0.09%)	07/07/2017	07/07/2017 - 06/07/2027	2.262
		100,000 (0.02%)	07/07/2017	13/09/2017 - 06/07/2027	2.262
		100,000 (0.02%)	09/07/2018	13/09/2018 - 08/07/2028	2.470
Dr Sun Kwai Yu, Vivian	Beneficial	300,000 (0.06%)	29/03/2011	29/03/2011 - 28/03/2021	2.792
	Owner	100,000 (0.02%)	09/07/2018	13/09/2018 - 08/07/2028	2.470
Mr Cheng Kwok Kin, Paul	Beneficial	100,000 (0.02%)	07/07/2017	07/07/2017 - 06/07/2027	2.262
	Owner	100,000 (0.02%)	09/07/2018	09/07/2018 - 08/07/2028	2.470
Mr Cheung Wang Ip	Beneficial Owner	100,000 (0.02%)	09/07/2018	21/07/2018 - 08/07/2028	2.470

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required 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 they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code of the Listing Rules, to be notified to the Company and the Stock Exchange.

ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, Mr Cheng (being an executive Director, the chairman and chief executive officer of the Company) is a director of Padora, and Resplendent (being a wholly-owned subsidiary of Padora) held 252,920,000 shares of the Company, representing 57.62% of the total issued shares of the Company. Save as disclosed herein, none of the Directors was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

There is no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 March 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

MATERIAL ADVERSE CHANGE

The recent outbreak and spread of the novel coronavirus in the PRC, Hong Kong, and other countries in world, is expected to lead to some degree of adverse impact on our operation and the operating environment in the PRC in the short-run such as the delayed resumption of factory production after the Chinese New Year holiday and the reduced workforce mobility within the country. In particular, as at the Latest Practicable Date, all factories of the Group in the PRC have resumed production with the relevant approvals with an average of approximately 80% of the total workforce reported to work. However, we are not certain as to by when the disruption to our production schedule will be ended and the scale of the impact on our business at the time being.

Save for the aforesaid disclosed, 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 2019, the date to which the latest published audited accounts of the Company were made up.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with any member of the Group which is not expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business apart from the Company's business which competes or is likely to compete, either directly or indirectly, the Company's business, or which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder.

EXPERTS

The following is the qualification of the experts who had given its opinion and advice which are contained in this circular:

Name	Qualification
Odysseus Capital Asia Limited	a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) business
Asset Appraisal Limited	Independent professional valuer

- (a) As at the Latest Practicable Date, Odysseus and Asset Appraisal had no 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 securities in any member of the Group.
- (b) Odysseus and Asset Appraisal has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (c) As at the Latest Practicable Date, Odysseus and Asset Appraisal did not have any direct or indirect interest in any assets which have been, since 31 March 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) The letter from Odysseus and the valuation reports from Asset Appraisal are given as of the date of this circular for incorporation herein.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of the Company at 7/F, Galaxy Factory Building, 25–27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong from the date of this circular up to and including 30 March 2020 (except Saturdays and Sundays) and will be available for inspection at the SGM:

- (i) the S&P Agreement and the Memorandum Agreement;
- (ii) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;
- (iii) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter of advice from Odysseus” of this circular;
- (iv) the valuation reports of Property 1 and Property 2 prepared by Asset Appraisal, the text of which is set out in Appendix II to this circular; and
- (v) the letter of consent from the expert referred to under the section headed “Experts” in this appendix.

GENERAL

The English text of this circular shall prevail over the Chinese text.

APPENDIX II VALUATION REPORTS OF PROPERTY 1 AND PROPERTY 2

The following is the text of a letter, summary of valuation and valuation certificates, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent property valuer, in connection with the valuation as at 20 January 2020 of Property 1 and Property 2.



Asset Appraisal Limited
中誠達資產評估顧問有限公司

Rm 901, 9/F, On Hong Commercial Building,
No.145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號安康商業大廈9樓901室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

11 March 2020

The Board of Directors
Kin Yat Holdings Limited
7th Floor
Galaxy Factory Building
25 and 27 Luk Hop Street
San Po Kong, Kowloon
Hong Kong

Dear Sirs,

Units A and B on 7th Floor and
Unit B on 11th Floor
Galaxy Factory Building
Nos. 25 and 27 Luk Hop Street
San Po Kong, Kowloon,
Hong Kong.

In accordance with the instructions of **Kin Yat Holdings Limited** (the “**Company**”) and its subsidiaries (together referred to as the “**Group**”) to value the captioned property interests (the “**Properties**”) situated in Hong Kong, we confirm that we have carried out inspection of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at **20 January 2020** (the “**date of valuation**”).

BASIS OF VALUATION

Our valuation of the Properties represents the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the dates of valuation 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 METHODOLOGY

We have valued the Properties by the comparison method where comparison based on prices realised or market prices of comparable property is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

TITLESHIP

We have been provided with copies of legal documents regarding the Properties. In addition, we have caused searches to be made at the appropriated Land Registry for the Properties in Hong Kong. However, we have not verified ownership of the Properties and the existence of any encumbrances that would affect their ownership.

ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells its interests in the Properties on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the Properties.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificates attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties valued nor for any expenses or taxation. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the floor areas shown on the legal documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Properties were last inspected by Mr. Or Kin Kwan Stanley ^(note 1) on 15 January 2020. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Properties, we have complied with all the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on the Main Board and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors.

APPENDIX II VALUATION REPORTS OF PROPERTY 1 AND PROPERTY 2

We have valued the Properties in Hong Kong Dollars (HK\$).

Our summary of valuation and valuation certificates are attached herewith.

Yours faithfully,
For and on behalf of
Asset Appraisal Limited

Tse Wai Leung
MFin BSc MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

Note 1: Mr. Or Kin Kwan Stanley is a holder of Higher Certificate in Valuation and Property Management from the Hong Kong Polytechnic University, Higher National Certificate in Land Administration, Valuation and Property Management from the Business and Technology Education Council and Diploma in China Real Estate Agent from the Officer's College of Construction Department of the People's Republic of China and has over 10 years of experience in valuation of properties in Hong Kong and in the PRC.

APPENDIX II VALUATION REPORTS OF PROPERTY 1 AND PROPERTY 2

SUMMARY OF VALUATION

Property	Market value in existing state as at 20 January 2020
1. Units A and B on 7 th Floor, Galaxy Factory Building, Nos. 25 and 27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong.	HK\$39,500,000
2. Unit B on 11 th Floor, Galaxy Factory Building, Nos. 25 and 27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong.	HK\$19,750,000
Total:	<hr/> HK\$59,250,000 <hr/>

APPENDIX II VALUATION REPORTS OF PROPERTY 1 AND PROPERTY 2

VALUATION CERTIFICATE

Property held for occupied by the Group

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 20 January 2020
1.	Units A and B on 7 th Floor, Galaxy Factory Building, Nos. 25 and 27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong 8/210 th shares of and in New Kowloon Inland Lot Nos. 5135 and 5136 (the “Lots”)	<p>The property comprises 2 workshop units on 7th Floor of a 22-storey industrial building completed in 1971.</p> <p>The gross floor area and saleable area of the property are approximately 10,400 square feet and 8,640 square feet respectively.</p> <p>The subject locality is a well-established industrial area which is predominated by medium to high-rise industrial buildings of various ages. Various newly-built hotel and office developments were provided in this area.</p> <p>Community facilities such as Wong Tai Sin Police Station, Choi Hung Road Playground, Kai Tak East Playground and Choi Hung Road Sports Centre can be found in this vicinity.</p> <p>The Lots are held under Conditions of Sale Nos. 9543 and 9544 for terms of 99 years less the last three days both commencing on 1 July 1898 and is statutorily extended until 30 June 2047.</p> <p>The current annual government rent of the property is at the sum of HK\$16,560.</p>	As at the date of valuation, the property was occupied by the Group.	HK\$39,500,000

APPENDIX II VALUATION REPORTS OF PROPERTY 1 AND PROPERTY 2

Notes:

1. The registered owner for Unit A of the property is Unicon Investments Limited which is an indirect wholly-owned subsidiary of the Company vide memorial no. UB6257070 dated 10 March 1995.
2. The registered owner for Unit B of the property is Unicon Investments Limited which is an indirect wholly-owned subsidiary of the Company vide memorial no. UB6257071 dated 10 March 1995.
3. Deed of Mutual Covenant of the subject development was registered via memorial no. UB1020559 dated 22 August 1973.
4. The property falls within an area zoned “Other Specified Uses (Business)” under Tsz Wan Shan, Diamond Hill & San Po Kong Outline Zoning Plan No. S/K11/29 dated 6 December 2016.
5. The property is leased to Kin Yat Industrial Company Limited which is an indirect wholly-owned subsidiary of the Company for a term commencing on 1 April 2017 and expiring on 30 June 2020 at a monthly rent of HK\$156,000 (exclusive of government rent, rates and management fees).
6. Upon completion of Disposal 1, Kin Yat Industrial Company Limited which is an indirect wholly-owned subsidiary of the Company (as tenant) intends to enter into the Tenancy Agreement to lease the property from Unicon Investments Limited at a monthly rent of HK\$124,800 (inclusive of government rent, rates and management fees) for a term of 3 years renewable for further 3 years at the then market rental rate from the date of completion of the Disposals.
7. In our valuation, we have compared the asset with identical or comparable (that is similar) assets for which price information is available. Comparable properties with similar character, location, size and so on are analysed and carefully weighed against all the respective advantages and disadvantages of the property in order to arrive at a fair comparison of capital value. The unit rates of comparable transactions are in the range of about HK\$4,344 to HK\$4,602 per square foot in term of saleable area. Our valuation falls within these range. As the proposal of part opening of the MTR - Tuen Ma Line in first quarter of 2020 was announced by the MTR Corporation Limited and well known by the public in end of 2018, all the vendors and the purchasers of the comparable transactions adopted in our valuation should have taken this factor into consideration in finalizing the transaction prices.

APPENDIX II VALUATION REPORTS OF PROPERTY 1 AND PROPERTY 2

VALUATION CERTIFICATE

Property held by the Group for sale

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 20 January 2020
2.	Unit B on 11 th Floor, Galaxy Factory Building, Nos. 25 and 27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong 4/210 th shares of and in the Lots.	<p>The property comprises a workshop unit on 11th Floor of a 22-storey industrial building completed in 1971.</p> <p>The gross floor area and saleable area of the property are approximately 5,200 square feet and 4,320 square feet respectively.</p> <p>The subject locality is a well-established industrial area which is predominated by medium to high-rise industrial buildings of various ages. Various newly-built hotel and office developments were provided in this area.</p> <p>Community facilities such as Wong Tai Sin Police Station, Choi Hung Road Playground, Kai Tak East Playground and Choi Hung Road Sports Centre can be found in this vicinity.</p> <p>The Lots are held under Conditions of Sale Nos. 9543 and 9544 for terms of 99 years less the last three days both commencing on 1 July 1898 and is statutorily extended until 30 June 2047.</p> <p>The current annual government rent of the property is at the sum of HK\$8,280.</p>	As at the date of valuation, the property was vacant.	HK\$19,750,000

APPENDIX II VALUATION REPORTS OF PROPERTY 1 AND PROPERTY 2

Notes:

1. The registered owner of the property is Kin Yat Industrial Company Limited which is an indirect wholly-owned subsidiary of the Company vide memorial no. UB3812001 dated 28 July 1988.
2. Deed of Mutual Covenant of the subject development was registered via memorial no. UB1020559 dated 22 August 1973.
3. The property falls within an area zoned “Other Specified Uses (Business)” under Tsz Wan Shan, Diamond Hill & San Po Kong Outline Zoning Plan No. S/K11/29 dated 6 December 2016.
4. In our valuation, we have compared the asset with identical or comparable (that is similar) assets for which price information is available. Comparable properties with similar character, location, size and so on are analysed and carefully weighed against all the respective advantages and disadvantages of the property in order to arrive at a fair comparison of capital value. The unit rates of comparable transactions are in the range of about HK\$4,344 to HK\$4,602 per square foot in term of saleable area. Our valuation falls within these range. As the proposal of part opening of the MTR - Tuen Ma Line in first quarter of 2020 was announced by the MTR Corporation Limited and well known by the public in end of 2018, all the vendors and the purchasers of the comparable transactions adopted in our valuation should have taken this factor into consideration in finalizing the transaction prices.

NOTICE OF SPECIAL GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that a special general meeting of Kin Yat Holdings Limited (the “**Company**”) will be held at Studio Room, 4/F., pentahotel Hong Kong, Kowloon, 19 Luk Hop Street, San Po Kong, Kowloon, Hong Kong on Monday, 30 March 2020 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (A) the S&P Agreement (as defined in the circular of the Company dated 11 March 2020 (the “**Circular**”) of which this notice forms part) (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose) and the Memorandum Agreement (as defined in the Circular) (a copy of which is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified; and
- (B) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the S&P Agreement and the Memorandum Agreement and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon.”

Yours faithfully,

On behalf of the Board

Cheng Chor Kit

Chairman and Chief Executive Officer

Hong Kong, 11 March 2020

*Head Office and Principal Place of
Business in Hong Kong:*
7th Floor, Galaxy Factory Building
25–27 Luk Hop Street
San Po Kong, Kowloon
Hong Kong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. A form of proxy for the meeting is enclosed.
2. Only members are entitled to attend and vote at the meeting (or at any adjournment thereof).
3. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint one or more proxies (who must be an individual) to attend and vote instead of him. A proxy need not be a member of the Company.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
5. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be).
6. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should the member so wish, and in such event, the proxy form shall be deemed to be revoked.
7. Where there are joint holders of any share of the Company, any one of such joint holders 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 senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
8. The register of members of the Company will be closed from Wednesday, 25 March 2020 to Monday, 30 March 2020, both days inclusive, for the purpose of determining members' entitlement to attend and vote at the meeting. In order to qualify for attending and voting at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 24 March 2020.