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KIN YAT HOLDINGS LIMITED
建溢集團有限公司

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 638)

CONNECTED TRANSACTION
LEASE OF PREMISES

THE EXISTING TENANCY AGREEMENT

Reference is made to the announcement of the Company dated 21 January 2020 in relation to the connected transaction with respect to the disposal of Unicon (the sole asset of which is Property 1) to Mr Cheng whereas, upon completion of the said disposal, KYI (an indirect wholly-owned subsidiary of the Company), as tenant, has entered into the Existing Tenancy Agreement with Unicon, as landlord, in respect of the lease of Property 1 for a term of three (3) years commencing from 1 April 2020 to 31 March 2023 (both days inclusive) for a monthly rental amount of HK\$124,800 (inclusive of government rent, rates and management fee only). The transactions contemplated under the Existing Tenancy Agreement are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE NEW ADDITIONAL TENANCY AGREEMENT

The Board wishes to announce that on 27 January 2022, KYI, as tenant, entered into the New Additional Tenancy Agreement with Century Grand, as landlord, in respect of the lease of a property unit in Property 2 for a term of three (3) years commencing from 1 February 2022 to 31 January 2025 (both days inclusive) for the use of the Premises as a product showroom and conference area for a monthly rental amount of HK\$17,900 (inclusive of government rent, rates, management fee and cleaning service fee only).

LISTING RULES IMPLICATIONS

As Century Grand is owned as to 100% by Mr Cheng (the controlling Shareholder of the Company), Century Grand is a connected person of the Company. Accordingly, the entering into of the New Additional Tenancy Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. As all applicable percentage ratios (as defined under the Listing Rules) in respect of the New Additional Tenancy Agreement are less than 5% and the total consideration is less than HK\$3,000,000, the transactions contemplated under the New Additional Tenancy Agreement constitute de minimis transactions pursuant to Rule 14A.76(1)(c) of the Listing Rules and are fully exempt from Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. However, as the Existing Tenancy Agreement was entered into by the Group with Unicon (which is also owned as to 100% by Mr Cheng), the transactions contemplated under the New Additional Tenancy Agreement and the Existing Tenancy Agreement shall be aggregated under Chapter 14A of the Listing Rules for the purpose of calculating the applicable percentage ratios under Chapter 14A of the Listing Rules. Given that one or more applicable percentage ratio(s) upon aggregation of the New Additional Tenancy Agreement with the Existing Tenancy Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the New Additional Tenancy Agreement are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE NEW ADDITIONAL TENANCY AGREEMENT

On 27 January 2022, KYI (an indirect wholly-owned subsidiary of the Company), as tenant, entered into the New Additional Tenancy Agreement with Century Grand, as landlord, in respect of the lease of Premises for a term of three (3) years commencing from 1 February 2022 to 31 January 2025 (both days inclusive). The Premises will be used by the Group as a product showroom and conference area. The principal terms of the New Additional Tenancy Agreement are set out below:

Date: 27 January 2022

Parties: (i) Tenant: KYI, an indirect wholly-owned subsidiary of the Company; and
(ii) Landlord: Century Grand, a connected person of the Company

Premises leased: a property unit with a gross floor area of approximately 1,120 square feet situated at Block B, 11/F, Galaxy Factory Building, 25-27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong

Term:	Three-year term from 1 February 2022 to 31 January 2025
Lease rental:	HK\$17,900 (inclusive of government rent, rates, management fee and cleaning service fee) per calendar month payable in advance on the first day of each calendar month

The monthly lease rental abovementioned was determined on an arm's length basis after taking into consideration the market rental for other property units in the same building as Property 2. Payments under the New Additional Tenancy Agreement are expected to be satisfied in cash by internal resources of the Group in its ordinary and usual course of business.

VALUE OF THE RIGHT-OF-USE ASSETS

In accordance with HKFRS 16, the Group is required to recognise right-of-use assets in its consolidated statement of financial position in respect of the lease of Premises under the New Additional Tenancy Agreement. Accordingly, the transactions under the New Additional Tenancy Agreement will be regarded as an acquisition of assets by the Group for the purpose of the Listing Rules. The total value of right-of-use assets to be recognised by the Group in respect of the lease of Premises is approximately HK\$611,385 (subject to audit).

REASONS FOR AND BENEFITS OF THE LEASE OF PREMISES

The Directors are of the view that the business operations of the Company require the entering into of the New Additional Tenancy Agreement for the use of product showroom and conference area in view of the Group's ongoing business development activities. Since the Group has leased Property 1 for the use as the headquarters of the Group under the Existing Tenancy Agreement, the lease of Premises in the same building as Property 1 would allow for easy and timely access for relevant staff members to support the business activities in the Premises.

Each of the Directors (including the independent non-executive Directors) is of the view that the New Additional Tenancy Agreement was entered into on an arm's length basis, on normal commercial terms and in the usual and ordinary course of business of the Group, and that the terms of the New Additional Tenancy Agreement are fair and reasonable and the transactions thereunder are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND CENTURY GRAND

The Company is principally engaged in 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, micro electric motors business, and related business activities. The non-manufacturing segment of the Group currently comprises mainly real estate development business in Guizhou Province, China. KYI, being a wholly-owned subsidiary of the Company, is principally engaged in the trading of toys, electronic products, and sourcing of materials.

The principal activity of Century Grand is property holding for the sole purpose of holding Property 2 and the ultimate beneficial owner of Century Grand is Mr Cheng, who is the controlling Shareholder of the Company.

LISTING RULES IMPLICATIONS WITH RESPECT TO THE LEASE OF PREMISES

As Century Grand is owned as to 100% by Mr Cheng, Century Grand is a connected person of the Company. Accordingly, the entering into of the New Additional Tenancy Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. As all more applicable percentage ratios (as defined under the Listing Rules) in respect of the New Additional Tenancy Agreement are less than 5% and the total consideration is less than HK\$3,000,000, the transactions contemplated under the New Additional Tenancy Agreement constitute de minimis transactions pursuant to Rule 14A.76(1)(c) of the Listing Rules and are fully exempt from Shareholders’ approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. However, as the Existing Tenancy Agreement was entered into by the Group with Unicon (which is also owned as to 100% by Mr Cheng), the transactions contemplated under the New Additional Tenancy Agreement and the Existing Tenancy Agreement shall be aggregated under Chapter 14A of the Listing Rules for the purpose of calculating the applicable percentage ratios under Chapter 14A of the Listing Rules. Given that one or more applicable percentage ratio(s) upon aggregation of the New Additional Tenancy Agreement with the Existing Tenancy Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the New Additional Tenancy Agreement are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

GENERAL

Given that Mr Cheng has a material interest in the lease of Premises, Mr Cheng has abstained from voting in respect of the relevant board of directors resolutions.

DEFINITIONS

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

- “connected person(s)”, “controlling shareholder” each has the meaning ascribed to it under the Listing Rules
- “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
“Existing Tenancy Agreement”	the tenancy agreement dated 1 April 2020 entered into between KYI and Unicon in respect of the lease of Property 1 by KYI as tenant from Unicon as landlord for a term of three (3) years commencing from 1 April 2020 to 31 March 2023 (both days inclusive) for a monthly rental amount of HK\$124,800 (inclusive of government rent, rates and management fee only)
“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 People’s Republic of China
“KYI”	Kin Yat Industrial Company Limited, an indirect wholly-owned subsidiary of the Company
“Listing Rule(s)”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“New Additional Tenancy Agreement”	the tenancy agreement dated 27 January 2022 entered into between KYI and Century Grand in respect of the lease of the Premises for a term of three (3) years commencing from 1 February 2022 to 31 January 2025 (both days inclusive) for a monthly rental amount of HK\$17,900 (inclusive of government rent, rates, management fee and cleaning service fee only)

“Premises”	a property unit with a gross floor area of approximately 1,120 square feet situated at Property 2, being the subject premises leased in respect of the New Additional Tenancy Agreement
“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
“Shareholders”	holders of the Shares
“Shares”	the ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Unicon”	Unicon Investments Limited, which was disposed of by the Group to Mr Cheng as disclosed in the announcement of the Company dated 21 January 2020
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 27 January 2022

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