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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 to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)

MAJOR TRANSACTION
– DISPOSAL

All capitalised terms used in this circular have the meaning set out in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 4 to 13 of this circular.

The Company has obtained written Shareholders’ approval for the Transactions pursuant to Rule 14.44 of the Listing Rules from Mr. Cheng Chor Kit, holding more than 50% of the voting rights at a general meeting to approve the Transactions. Accordingly, no Shareholders’ meeting will be held to approve the Transactions pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

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

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DEFINITIONS

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

“associate(s)”, “percentage ratio(s)”, “subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules;
“Award Date”	has the meaning as defined under the section headed “LANDS RESUMPTION AGREEMENT – Payment Terms” of this circular;
“Board”	the board of Directors;
“Company”	Kin Yat Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 638);
“Compensation”	has the meaning as defined under the section headed “LANDS RESUMPTION AGREEMENT – Compensation” of this circular;
“Decheng Property Development”	Shaoguan City Qujiang District Decheng Property Development Co., Ltd.* (韶關市曲江區德城房地產開發有限公司), a company established under the PRC law with limited liability;
“Director(s)”	the directors of the Company;
“Disposal”	the surrender of the Lands and the Relevant Assets thereon by Penta Blesses under the Lands Resumption Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	a party who is not connected person (as defined in the Listing Rules) of the Company and who together with its ultimate beneficial owner(s) are independent of the Company and the connected persons (as defined in the Listing Rules) of the Company;
“Independent Valuer”	Valplus Consulting Limited, an independent valuer engaged by the Company;

DEFINITIONS

“Lands”	comprise three parcels of land situated at Huang Hua Yuan Industrial Area, Tai Ping Town, Shixing County, Shaoguan City, Guangdong Province, the PRC (land certificate number: Yue (2018) Shixing County Bu Dong Chan Quan No. 0000914, Yue (2018) Shixing County Bu Dong Chan Quan No. 0000910 and Yue (2018) Shixing County Bu Dong Chan Quan No. 0000912*土地證號：粵(2018)始興縣不動產權第0000914號，粵(2018)始興縣不動產權第0000910號，粵(2018)始興縣不動產權第0000912號);
“Lands Resumption”	the resumption of the Lands and any erection, construction and other relevant assets thereon by the SXBNR from Penta Blesses under the Lands Resumption Agreement;
“Lands Resumption Agreement”	the lands resumption agreement in respect of the Lands entered into between Penta Blesses and SXBNR on 20 March 2023;
“Latest Practicable Date”	25 May 2023, being the latest practicable date for ascertaining certain information referred to in this circular prior to its printing;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Newway Industries”	Shixing Newway Industries Company Limited* (始興縣新法實業有限公司), a company established under the PRC law with limited liability and a wholly-owned subsidiary of the Company;
“Penta Blesses”	Penta Blesses Enterprises Limited (五福企業有限公司), a company established in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Public Auction”	the sale of the Lands as redesignated through the public auction by the local government authority for new development plans through a tender, auction or a listing-for-sale;
“Relevant Assets”	the erection, construction, machinery, and other relevant assets on the Lands;
“Remaining Compensation”	has the meaning as defined under the section headed “RESUMPTION OF THE LANDS” of this circular;
“RMB”	Renminbi, the lawful currency of the PRC;

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);
“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company;
“sq.m.”	square metre, unit of area;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“SXBNR”	Shixing County Bureau of Natural Resources* (始興縣自然資源局);
“Target Assets”	has the meaning as defined under the section headed “LANDS RESUMPTION AGREEMENT – Subject Matter” of this circular;
“Turbo Electronic”	Shaoguan Turbo Electronic Technology Company Limited* (韶關德寶電子科技有限公司), a company established under the PRC law with limited liability and a wholly-owned subsidiary of the Company; Turbo Electric has subsequently changed name to Kin Yat (Guangdong) AI Co., Ltd.* (建溢(廣東)人工智能有限公司);
“Three-old Renovation”	the “Three-old Renovation”* 三舊改造 (i.e., a plan on the renovation of old urban areas, old villages and old plants) promulgated by the Government of the PRC;
“Valuation Report”	means the valuation report of the land use rights of the Lands and the construction erected on the Lands, prepared by the Independent Valuer, a full text of which is included in Appendix II to this circular; and
“%”	per cent.

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

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)

Executive Directors:

Mr. Cheng Chor Kit

(Chairman and Chief Executive Officer)

Mr. Liu Tat Luen

Mr. Cheng Tsz To

Mr. Cheng Tsz Hang

Non-executive Director:

Dr. Fung Wah Cheong, Vincent

Independent non-executive Directors:

Mr. Wong Chi Wai

Dr. Sun Kwai Yu, Vivian

Mr. Cheung Wang Ip

Registered Office:

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Hong Kong

31 May 2023

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION – DISPOSAL

INTRODUCTION

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

The purpose of this circular is to provide you with, among other things, further details of the Transactions and other information required under the Listing Rules.

LETTER FROM THE BOARD

RESUMPTION OF THE LANDS

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

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

(I) LANDS RESUMPTION AGREEMENT

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

Date

20 March 2023

Parties

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

Subject Matter

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

LETTER FROM THE BOARD

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

The Lands and the Relevant Assets are parts of the Group's production centre in Shixing County (the "**Shixing Production Centre**"), comprising a total land area of over 142,719 sq.m., of which (i) approximately 70,711 sq.m. attributable to the production facilities under the electrical and electronic products business segment of the Group (the "**E&E Business Segment**"); (ii) approximately 50,670 sq.m. which is attributable to the production facilities under the motor drives business segment (the "**Motor Business Segment**") of the Group; and (iii) approximately 21,338 sq.m. regarding a parcel of undeveloped land. The Lands comprise (i) the abovementioned undeveloped land of approximately 21,338 sq.m. in area; and (ii) two parcels of land of approximately 50,130 sq.m. in aggregate attributable to the E&E Business Segment.

Compensation

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

The Compensation was arrived at normal commercial terms and after arm's length negotiation between the parties after taking into account, among others, (i) the average assessed value of the land use rights of the Lands and the Relevant Assets thereon and other related compensation of approximately RMB104.6 million (equivalent to approximately HK\$120.2 million) in aggregate according to the valuation reports of three independent PRC valuers appointed by the local government (the "**PRC Valuation Reports**") in accordance with the procedures and requirements set out under the relevant laws, regulations and procedures applicable to the resumption of industrial land in Shaoguan City; and (ii) the preliminary valuation for the land use rights of the Lands and the construction erected thereon by an independent Hong Kong valuer appointed by the Company. The Valuation Report in compliance with the requirements under Chapter 5 of the Listing Rules is set out in Appendix II of this circular. According to the Valuation Report, the aggregate value of the land use rights of the Lands and the construction erected on the Lands with title certificated is approximately RMB78.4 million (equivalent to approximately HK\$90.1 million). The difference between such value and the average assessed value of the PRC Valuation Reports was mainly due to the PRC Valuation Reports includes additional valuation of (i) the machinery of approximately RMB15.5 million (equivalent to approximately HK\$17.8 million); (ii) other related compensation of approximately RMB4.1 million (equivalent to approximately HK\$4.7 million); and (iii) certain construction erected on the Lands without obtaining relevant title certificates of approximately RMB8.8 million (equivalent to approximately HK\$10.1 million) that the independent Hong Kong valuer ascribed no commercial value.

LETTER FROM THE BOARD

Payment terms

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

- (i) within thirty (30) days from the date of award (the “**Award Date**”), which is around 26 April 2023, of the bid to acquire the land use rights of the Lands as redesignated through the Public Auction, SXBNR shall pay the compensation for the land use rights of the Lands of approximately RMB29.0 million (equivalent to approximately HK\$33.3 million). Nevertheless, it is stipulated in the Lands Resumption Agreement that if the payment schedule is delayed due to approval procedures of the relevant governmental departments, SXBNR shall not be liable for breach of contract for such overdue payment; and
- (ii) within thirty (30) days from the Award Date, the successful bidder of the land use rights of the Lands as redesignated shall pay the compensation for (a) the Relevant Assets; (b) cessation of business; and (c) rental loss, of approximately RMB75.6 million (equivalent to approximately HK\$86.9 million) in aggregate. See the variation set out in the paragraph “Ancillary Matters” below.

Delivery of the Target Assets

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

Condition Precedent

There is no condition precedent attached to the Lands Resumption Agreement.

Breach of the Lands Resumption Agreement

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

(II) ANCILLARY MATTERS

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

- Decheng Property Development will establish a project company which it controls, and one or more of Penta Blesses, Newway Industries, and Turbo Electronic would hold an aggregate 1.0% shareholding of such project company, on a fully-diluted basis.

LETTER FROM THE BOARD

- Such project company is to bid and acquire the land use rights of the Lands as redesignated through the Public Auction, and is expected to launch, within one year after the Award Date, the sale of the commodity housing on the Lands as redesignated after obtaining presale permissions.
- Penta Blesses, Newway Industries, and Turbo Electronic will assist in ensuring the timely relocation work to vacant from the Lands and its smooth hand over.
- The parties' expectation is to cap the bid consideration at no more than approximately RMB61.5 million (equivalent to approximately HK\$70.7 million) if it is decided that the project company is to make a bid.
- If the project company wins the Public Auction, Decheng Property Development or the project company shall be responsible for payment of approximately RMB75.6 million (equivalent to approximately HK\$86.9 million) of the Compensation under the Lands Resumption Agreement plus an additional RMB2.7 million (equivalent to approximately HK\$3.1 million), both payable to Penta Blesses, which constitutes a mutual contractual agreement to vary the payment terms under the Lands Resumption Agreement between the payor and payee, as follows:
 - (i) approximately RMB21.0 million (equivalent to approximately HK\$24.1 million), which is the first instalment of the consideration to be paid immediately after the project company successfully acquires the Lands as redesignated through the Public Auction and Penta Blesses completed the relocation work on the Lands and its hand over to the project company; and
 - (ii) approximately RMB57.3 million (equivalent to approximately HK\$65.9 million), anytime, in full or in part, within, but no later than, two years from the Award Date, together with the interest incurred at the rate of 5% per annum (with interest payable every three months), subject to timely relocation work of the Lands being completed.

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

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

The aforementioned cooperation agreement is conditional upon the following:

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

LETTER FROM THE BOARD

Latest Development

As at the Latest Practicable Date, the relevant real estate ownership certificates of the land use rights of the Lands and the buildings on the Lands have already been delivered to the relevant government authorities for deregistration as required under the Three-old Renovation requirements and the relevant certificates have been successfully deregistered. In addition, a project company, Debao Real Estate Development* (始興縣德寶房地產開發有限公司), has been established under the laws of the PRC with limited liability for attending the Public Auction. Debao Real Estate Development is (i) 67.0% owned by Shaoguan Qujiang District Tiangao Real Estate Development Co., Ltd.* (韶關市曲江區天高置業發展有限公司); (ii) 32.0% owned by Shaoguan Qujiang District Zhuangyuan Building Materials Trading Co., Ltd.* (韶關市曲江區狀元建材貿易有限公司); and (iii) 1.0% owned by Turbo Electronic which has been changed name to Kin Yat (Guangdong) AI Co., Ltd. (建溢(廣東)人工智能有限公司). As all the applicable percentage ratios in respect of 1% equity investment in Debao Real Estate Development are less than 5%, the relevant transaction does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Shaoguan Qujiang District Tiangao Real Estate Development Co., Ltd is 70.6% ultimately owned by Mr. Tu Zhigao* (塗志高先生), a substantial shareholder of Decheng Property Development; and (ii) Shaoguan Qujiang District Zhuangyuan Building Materials Trading Co., Ltd and its respective ultimate beneficial owner(s) are Independent Third Party(ies).

The Public Auction took place from 12 April 2023 to 24 April 2023 and Debao Real Estate Development has successfully won the Public Auction with a bidding price of approximately RMB62.4 million (equivalent to approximately HK\$71.7 million). To the best knowledge of the Directors, the main reason for the final bidding price exceeded the pre-determined cap set out in the aforementioned cooperation agreement by approximately RMB0.9 million (equivalent to approximately HK\$1.0 million) is that the reserve price of the Public Auction had been set by the relevant government authorities at RMB62.4 million (equivalent to approximately HK\$71.7 million) which was higher than the Group's expectation and estimates at the time when the cooperation agreement was entered into. As at the Latest Practicable Date, all of the condition precedents set out in the aforementioned cooperation agreement had been fulfilled. Following the Public Auction, Debao Real Estate Development has entered into agreements relating to the grant of the land use rights of the Lands as redesignated and complete all necessary registration procedures relating to the Lands with the relevant government authorities. As at the Latest Practicable Date, no payment had been received by the Group from SXBNR nor from Debao Real Estate Development. To the best knowledge of the Directors, SXBNR is in the process of arranging the payment of approximately RMB29.0 million (equivalent to approximately HK\$33.3 million) to Penta Blesses. The Group is in the process of completing the relocation work on the Lands and assisting SXBNR in the delivery of the Lands and the construction erected on the Lands to Debao Real Estate Development. The Company expects that the relocation work on the Lands and its hand over to Debao Real Estate Development will be completed within three months from the Award Date. The payment from Debao Real Estate Development shall be paid to the Group in accordance with the details set out in the aforementioned cooperation agreement. The payment of the second instalment of approximately RMB57.3 million (equivalent to approximately HK\$65.9 million) is expected to be paid by Debao Real Estate Development after the redevelopment of the Lands as redesignated and the sales of the properties project thereon. However, such second instalment can be postponed up to two years from the Award Date with the interest incurred at the rate of 5% per annum (with interest payable every three months) according to the cooperation agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

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

LETTER FROM THE BOARD

As compared to the lands for industrial use owned by the Group in the PRC with a total area of 383,700 sq.m. (prior to the completion of the Disposal), the area of the Lands only represents a ratio of approximately 18.6%. In addition, as compared to the factory buildings and auxiliary buildings and premises built on the industrial lands owned by the Group in PRC with a total gross floor area of at least 394,400 sq.m. (prior to the completion of the Disposal), the gross floor area of the Relevant Assets represents a ratio of approximately 15.3%. The Group also owns production facilities in Malaysia with lands and buildings. In addition, after the completion of the Disposal, the Shixing Production Centre still owns a land area of approximately 50,670 sq.m. for the Motor Business Segment and a land area of approximately 20,581 sq.m. for the E&E Business Segment. Given that the utilisation rate of the production facilities in the Shixing Production Centre for the E&E Business Segment prior to the completion of the Disposal is estimated to be below 20%, which is relatively low, instead of having the production activities scattered around in the Shixing Production Centre, the production and functions of the facilities originally carrying out on the Lands and by the Relevant Assets will be shifted to and consolidated into the remaining production facilities of the Shixing Production Centre, without materially affecting the Group's planned production schedule, after completion of the Disposal. Therefore, the Company is of the view that the Disposal will help the Company strengthen its financial position and yet without materially affecting the Group's business and production plans after completion of the Disposal.

In addition, with reference to (i) the average assessed value of the land use rights of the Lands and the Relevant Assets thereon and other related compensation of approximately RMB104.6 million (equivalent to approximately HK120.2 million) in aggregate according to the valuation reports of the three independent PRC valuers appointed by the relevant government department; and (ii) the valuation of the land use rights of the Lands and the construction thereon by an independent Hong Kong valuer appointed by the Company, the Compensation is considered to be fair and reasonable. The Valuation Report in compliance with the requirements under Chapter 5 of the Listing Rules is set out in Appendix II of this circular.

Given that (i) several lands in Shaoguan City have failed to be sold in the public auctions according to the public record from the relevant government probably due to the general sluggish property market sentiment; and (ii) as a matter of fact, there was no other bidder appeared for the Public Auction apart from Debao Real Estate Development after the signing of the aforementioned cooperation agreement, the Board considers that without the cooperation agreement the chance for the land use rights of the Lands to be successfully sold in the Public Auction is expected to be relatively low and the timing for receiving the relevant payments cannot be reasonably estimated. As a result, the Board believes that the cooperation with Decheng Property Development will increase the chance and shorten the time required for the Lands as redesignated being successfully acquired through the Public Auction which in turn could enhance the certainty of receiving the Compensation expected under the Lands Resumption Agreement by the Group. In addition, the Group can receive additional proceeds of approximately RMB2.7 million (equivalent to approximately HK\$3.1 million) on top of the Remaining Compensation of approximately RMB75.6 million (equivalent to approximately HK\$86.9 million) in accordance to the Lands Resumption Agreement. The Group has performed background check of Decheng Property Development, which included but not limited to desktop search and reference check with business contacts in Shaoguan City. As a measure to further protect the Group against the credit risk of the counterparty, the two shareholders of Debao Real Estate Development are required to pledge its entire shareholding (not less than 99% shareholding) in Debao Real Estate Development and Decheng Property Development shall act as joint guarantors, to guarantee Debao Real Estate Development's payment obligation to the Group pursuant to the aforementioned cooperation agreement. As at the Latest Practicable Date, the two shareholders of Debao Real Estate Development are in the process of finalising the arrangement regarding the shareholding pledge arrangement, which is expected to be completed by the end of June 2023.

LETTER FROM THE BOARD

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

FINANCIAL EFFECTS FROM THE DISPOSAL AND PROPOSED USE OF PROCEEDS

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

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

The Company currently intends that all net proceeds from the Disposal will be used for the Group's general working capital, which is expected to be applied to the repayment of the Group's outstanding bank borrowings.

LETTER FROM THE BOARD

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

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

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

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

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

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

Decheng Property Development is a company established under the PRC law with limited liability and is principally engaged in the business of property development. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Decheng Property Development is 51% ultimately owned by Mr. Luo Mingde* (羅明德先生) and 49% ultimately owned by Mr. Tu Zhigao* (塗志高先生).

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

LISTING RULES IMPLICATIONS

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

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

LETTER FROM THE BOARD

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

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

RECOMMENDATION

The Directors (including the non-executive Director and the independent non-executive Directors) are of the view that the Transactions are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and would recommend the Shareholders to vote in favour of the resolution to approve the Transactions if it had been necessary to hold a general meeting for such purpose.

ADDITIONAL INFORMATION

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

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

1. FINANCIAL INFORMATION OF THE GROUP

By way of reference, the financial information of the Group for the six months ended 30 September 2022 and for each of the three years ended 31 March 2020, 2021 and 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kinyat.com.hk) respectively:

- (i) the interim report of the Company for the six months ended 30 September 2022 published on 22 December 2022 (pages 2 to 25):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1222/2022122200505.pdf>
- (ii) the annual report of the Company for the year ended 31 March 2022 published on 20 July 2022 (pages 86 to 227):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0720/2022072001184.pdf>
- (iii) the annual report of the Company for the year ended 31 March 2021 published on 23 July 2021 (pages 93 to 247):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0723/2021072301037.pdf>
- (iv) the annual report of the Company for the year ended 31 March 2020 published on 22 July 2020 (pages 86 to 243):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0722/2020072200596.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2023, being the latest practicable date for the purpose of determining the indebtedness of the Group prior to the printing of this circular, the indebtedness of the Group was as follows:

Bank loans

As at 31 March 2023, which was the latest practicable date for the purpose of determining the amount of indebtedness, the Group has outstanding interest-bearing unsecured and guaranteed bank loans of approximately HK\$351,265,000, of which approximately HK\$269,065,000 is current portion and approximately HK\$82,200,000 is non-current portion.

Other borrowings

As at 31 March 2023, which was the latest practicable date for the purpose of determining the amount of indebtedness, the Group had outstanding interest-bearing other borrowings of approximately HK\$27,882,000, of which approximately HK\$15,000,000 are unsecured and unguaranteed, approximately HK\$9,722,000 are unguaranteed but secured by certain properties under development of the Group and approximately HK\$3,160,000 are unguaranteed but secured by certain completed properties held for sale of the Group.

The Group's other borrowings comprised of approximately HK\$5,669,000 under current portion and approximately HK\$22,213,000 under non-current portion.

Lease liabilities

As at 31 March 2023, which was the latest practicable date for the purpose of determining the amount of indebtedness, the Group had lease liabilities of approximately HK\$12,073,000, of which approximately HK\$5,596,000 is current portion and approximately HK\$6,477,000 is non-current portion.

3. WORKING CAPITAL STATEMENT

The Directors, after due and careful consideration, are of the opinion that, in the absence of unforeseen circumstances, and after taking into account the present financial resources available to the Group including but not limited to cashflow generated by its principal operations, cash and cash equivalents available, existing and new banking facilities, and the net proceeds from the Transactions, the Group will have sufficient working capital for its business for the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the design, manufacture and sale of electrical and electronic products, motors and real estate development. As mentioned in the Company's financial year 2023 interim report dated 29 November 2022, the recent difficult global macroeconomic environment, including the lingering COVID-19 and reoccurring lockdowns in the PRC, has resulted in the softening of demand for goods and services from clients in general in relation to the manufacturing business. As a result, together with the absence of the revenue from a former customer which was one of the significant customers of the Group, the Group's total revenue decreased by approximately HK\$667.6 million or 48.9% for the six months ended 30 September 2022 as compared to the corresponding period in the prior year. The Group has recorded a loss of approximately HK\$155.6 million for the six months ended 30 September 2022 which was mainly due to the decrease in revenue mentioned above and an aggregate impairment loss of approximately HK\$189.6 million in the real estate development business segment.

To counter the difficult operating environment, the Group will remain cautious and agile in managing its production schedule and cost structure, striving to provide high quality and cost-competitive manufacturing solutions to its clients. The Group will gradually expand its capacity in the Malaysia production base and will also consider tapping into another location in Southeast Asia, which can offer lower labour cost, stable supply chain and stable political environment.

The following is the text of a letter, a valuation summary and a valuation report prepared for the purpose of incorporation in this circular received from Valplus Consulting Limited, an independent valuer, in connection with its opinion on market value of the property interests held by the Group as at 31 March 2023.



Valplus Consulting Limited

Rm 907, 9/F, Houston Centre,
63 Mody Road, East Tsim Sha Tsui,
Kowloon, Hong Kong
Web: <http://valplus.com.hk>
Email: info@valplus.com.hk
Tel: +852 2553 9906

31 May 2023

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

Dear Sirs/Madams,

Re: Valuation of various properties interests located in Huang Hua Yuan Industrial Zone, Tai Ping Town, Shixing County, Shaoguan City, Guangdong Province, the People's Republic of China

In accordance with the instructions from Kin Yat Holdings Limited (“**Company**” and together with its subsidiaries, “**Group**”) for us to value certain property interests (details of the property interests are more particularly listed in the Summary of Values of this report and hereinafter collectively, “**Properties**”) held by the Group located in the People's Republic of China (“**China**” or “**PRC**”), we confirm that we have made relevant enquires and obtained such further information as we consider necessary for providing you with our opinion on market value of such property interests in existing state as at 31 March 2023 (“**Valuation Date**”).

This letter, forming part of our valuation report, identifies the property interests being valued, explains the basis and methodology of our valuation, and lists out the assumptions and title investigation, which we have made in the course of our valuation, as well as the limiting conditions.

1. PURPOSE OF VALUATION

This report is being solely prepared for the directors and management of the Company for reference and incorporation into a public circular of the Company in connection with a proposed disposal (“**Proposed Disposal**”) by the Group under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (“**SEHK**”).

The Proposed Disposal, if materialized, would be a commercial decision made by the transacting parties and the corresponding transaction price would be the result of negotiations between the transacting parties. The directors and management of the Company should be solely responsible for determining the consideration of the Proposed Disposal, in which Valplus Consulting Limited (“**Valplus**”) is not involved in the negotiation and has no comment on the final agreed consideration. Furthermore, Valplus assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. BASIS AND PREMISE OF VALUE

Our valuation represents our opinion on the market value which we would define to mean “the estimated amount for which an asset or liability should exchange on the valuation date 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”.

Market value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the Property, if applicable and practicable, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the SEHK, the International Valuation Standards published by the International Valuation Standards Council and the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors.

3. SOURCE OF INFORMATION

In undertaking our valuation of the Properties, we have relied on advice, documents, information and materials provided by the management of the Group and its representatives (together, “**Management**”) or public source of relevant government authorities. The major documents and information include but not limited to (i) title certificates and (ii) legal opinions dated 31 May 2023 (“**Legal Opinions**”) provided by the Group’s PRC legal adviser, namely 廣東恒益律師事務所 (unofficially translated as “GFE Law Office”), all of which are set out in the notes of this valuation report.

We would point out that the copies of the aforesaid documents and information of the Property provided to us are mainly compiled in Chinese and thus the translation into English only represents our understanding of the contents of these documents and information.

4. VALUATION METHODOLOGIES

In valuing the Property 1 as disclosed in the section headed “Summary of Values” in the Valuation Report, we have adopted a combination of market and cost approach in assessing the land portion and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole.

In the valuation of the land portion, we have adopted the direct comparison method by making reference to comparable sales evidence as available in the relevant market. The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.

As the nature of the buildings and structures cannot be valued by comparison with open market transactions, they have therefore been valued by using cost approach. The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. Actual costs incurred for upgrading of the assets to be appraised will also be considered in this approach. The cost approach generally furnishes the most reliable indication of value for assets without a known market of comparable sales.

In valuing the Property 2 as disclosed in the section headed “Summary of Values” in the Valuation Report, we have adopted the direct comparison method by making reference to comparable sales evidence as available in the relevant market. The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.

5. TITLE INVESTIGATION

We have not caused land searches regarding the title of the Properties but have been provided by the Group with copies of certain extracts on title documents and other documents in relation to the subject property interests. However, we have not searched and examined the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied on the Legal Opinions regarding the title to and the interests in the Properties. It is therefore presumed that the property rights are good and marketable, and there are no encumbrances on the property interests which cannot be cleared through normal processes. No responsibility is assumed for legal matters in nature and no investigation has been made to the title of or any liabilities against the property valued.

6. SITE INSPECTION

The site inspection of the Properties was conducted in May 2023 by our Mr. Dennis Wong, with over 15 years of relevant experience in valuation of properties in Hong Kong, China and overseas. No structural survey has been made and it was not possible to inspect the woodwork and other parts of the structures which were covered, unexposed or inaccessible. We are therefore unable to report whether the property interests are free from rot, infestation or any other defects. No test was carried out on any of the services.

7. VALUATION ASSUMPTIONS

- In valuing the property interests, we have assumed that the owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term as granted and is entitled to transfer the property interests with the residual term without payment of any further premium to the government authorities or any third parties;
- Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the values of the property interests. No forced sale situation in any manner is assumed in our valuation;
- No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values;
- All consents, approvals and licenses from relevant government authorities for the property interests have been granted without any onerous conditions or undue time delay which might affect their values. All the required licenses, consents, or other legislative or administrative authority from any local, provincial, or national government, private entity or organization either have been or can be obtained or renewed for any use which the valuation report covers; and
- All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report. However, we have assumed that the utilization of the property interests and improvements are within the boundaries of the property interests described and that no encroachment or trespass exists, unless noted in the valuation report.

8. LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by and have accepted advice from the Company on such matters as planning approvals, statutory notices, easements, tenures, occupancy, lettings, site, floor areas, rooms, facilities, identifications and all other relevant materials regarding the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. All documents have been used as reference only. 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.

We have not carried out detailed measurements to verify the correctness of the areas of the property interests but have assumed that the areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached valuation report, are based on information contained in the documents provided to us for reference only, and therefore, are only approximations. If such information provided by the Company is different from the reality, we reserve our right to amend our opinions.

We have not carried out investigation to determine the suitability of the ground conditions or the services for any property developments to be erected thereon. In addition, we assume that no encroachment or trespass exists, unless noted in the valuation report.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined and considered in the valuation report.

9. REMARKS

The Company has reviewed and agreed on the report and confirmed the factual content of the report.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (“**RMB**”).

We hereby confirm that we have neither present nor prospective interests in the Properties, the Group or the value reported herein.

We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Listing Rules Governing the Listing of Securities on the SEHK.

Our Valuation Report is enclosed herewith.

Respectfully submitted,

For and on behalf of

VALPLUS CONSULTING LIMITED

Damon S.T. Wan, *CFA, FRM, MRICS*

Director

Mr. Damon S.T. Wan is a CFA Charterholder, a Certified FRM and a member of Royal Institution of Chartered Surveyors. Mr. Wan has been working in the professional valuation field since 2008. He is experienced and specialized in performing properties, financial instruments, intangible assets and business valuations for the purposes of corporate advisory, merger & acquisition and public listing. He has over 6 years of experience in the valuation of properties in Hong Kong, Macau, China and the overseas.

SUMMARY OF VALUES

Property	Market value as at 31 March 2023
Properties held by the Group for owner occupation	
1. Two industrial complexes located at Lot No.440222 001018 GB00939 W00000000 and Lot No.440222 001018 GB01146 W00000000, Huang Hua Yuan Industrial Zone, Tai Ping Town, Shixing County Shaoguan City, Guangdong Province, the PRC	RMB71,792,000
2. A parcel of land located at Lot No.440222 001018 GB01082 W00000000, Huang Hua Yuan Industrial Zone, Tai Ping Town, Shixing County Shaoguan City, Guangdong Province, the PRC	RMB6,568,000

* *Figures above are subject to rounding.*

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2023
1. Two industrial complexes located at Lot No.440222 001018 GB00939 W00000000 and Lot No. 440222 001018 GB01146 W00000000, Huang Hua Yuan Industrial Zone, Tai Ping Town, Shixing County Shaoguan City, Guangdong Province, the PRC (位於中國廣東省韶關市始興縣太平鎮黃花園工業區 440222 001018 GB00939 W00000000及 440222 001018 GB01146 W00000000 地號的兩個工業廠房)	The properties comprises two parcel of lands together with 14 single to 7-storey buildings and other auxiliary buildings and structures erected thereon and completed between 1998 and 2004. The site area and gross floor area of the properties are approximately 50,130.00 sq.m. and 60,457.57 sq.m. respectively. The land use rights of the properties were granted for various terms expiring on 30 January 2047 and 4 November 2051 for industrial use.	The properties were occupied by the Company for industrial use as at the Valuation Date.	RMB71,792,000

Notes:

- Pursuant to two Real Estate Title Certificates 《粵(2018) 始興縣不動產權第0000910號》(Yue (2018) Shixing Xian Bu Dong Chan Quan No. 0000910) and 《粵(2018) 始興縣不動產權第0000914號》(Yue (2018) Shixing Xian Bu Dong Chan Quan No. 0000914), the land use rights of two parcels of land of the properties with total site area of approximately 50,130.00 sq.m. were granted to 始興縣新法實業有限公司 (unofficially translated as “Shixing Newway Industries Company Limited” and hereinafter, “**Shixing Newway**”), a wholly-owned subsidiary of the Company, for a term of 50 years expiring on 4 November 2051 and 30 January 2047 for industrial use respectively.

- 2) Pursuant to 14 Real Estate Title Certificates《粵房地字第C0951017, C0951018, C0951023, C0951024, C0951467, C5517482, C5517490, 0366671, 0393949, 0393950, C0951020, C0951021, C0951022及C5517483號》(Yue Fang Di Zi Nos. C0951017, C0951018, C0951023, C0951024, C0951467, C5517482, C5517490, 0366671, 0393949, 0393950, C0951020, C0951021, C0951022 and C5517483), the ownership of 14 buildings with total gross floor area of approximately 40,675.71 sq.m. were vested in 五福企業有限公司 (officially translated as “Penta Blesses Enterprises Limited” and hereinafter, “Penta Blesses”) and 始興縣德寶玩具實業有限公司 (now known as Shixing Newway), all of which are wholly-owned subsidiaries of the Company, for industrial use. The particulars of the Real Estate Title Certificates are set forth below:

Real Estate Title Certificate (Document No.)	Usage	No. of storey	Approximate GFA (sq.m)	RMB
粵房地字第C0951017號	Dormitory	7	4,536.84	6,947,000
粵房地字第C0951018號	Warehouse	2	649.16	994,000
粵房地字第C0951023號	Workshop	2	11,587.26	17,887,000
粵房地字第C0951024號	Workshop	1	2,435.40	2,826,000
粵房地字第C0951467號	Canteen	1	2,179.24	3,337,000
粵房地字第C5517482號	Dormitory	7	4,841.76	7,279,000
粵房地字第C5517490號	Warehouse	2	2,972.50	4,526,000
粵房地字第0366671號	Workshop	1	2,179.24	979,000
粵房地字第0393949號	Workshop	2	2,199.75	1,659,000
粵房地字第0393950號	Dormitory	4	560.12	422,000
粵房地字第C0951020號	Workshop	2	1,660.13	2,542,000
粵房地字第C0951021號	Workshop	2	1,660.13	2,542,000
粵房地字第C0951022號	Workshop	2	2,265.60	3,469,000
粵房地字第C5517483號	Dormitory	5	948.58	1,386,000
		Total:	40,675.71	56,795,000

* *Figures above are subject to rounding.*

- 3) Pursuant to the Management, the properties were held by the Group for owner occupation in the PRC.
- 4) Pursuant to the Legal Opinions, the title ownership of the other auxiliary buildings and structures with total gross floor area of approximately 19,781.86 sq.m. have not been registered by Shixing Newway or Penta Blesses. Further confirmed by the Management, Shixing Newway and Penta Blesses have not obtained the relevant title certificates of the aforesaid other auxiliary buildings and structures. In the course of our valuation, we have ascribed no commercial value to the aforesaid other auxiliary buildings and structures without relevant title certificates.
- 5) The accommodation value of land parcel of similar industrial premises in the locality as at the Valuation Date is in the range of around RMB330 per sq.m. to RMB390 per sq.m.. In the course of our valuation, after taking into account (i) the remaining tenure of the title ownership; and (ii) the average unit rate of comparable land parcel of approximately RMB350 per sq.m., we have adopted unit rates of approximately RMB282 per sq.m. and RMB303 sq.m. for the two land parcels of the properties.
- 6) The properties are situated at Huang Hua Yuan Industrial Area of Shaoguan City. The subject area is mainly surrounded by low to medium-rise residential and industrial buildings. Shixing Railway Station is just near to the properties. Shaoguan railway station is about an hour driving distance away from the properties. Taxis and buses are also accessible to the properties.

- 7) We have been provided with the Legal Opinions, which contains, inter alia, the following information that has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:
- a) The properties comprising land and buildings with total gross floor area of approximately 40,675.71 sq.m. have been registered with the Real Estate Title Certificates;
 - b) Shixing Newway and Penta Blesses are the holders of the land use right and Real Estate Title Certificates of the properties comprising land and buildings with total gross floor area of approximately 40,675.71 sq.m.;
 - c) Shixing Newway and Penta Blesses are entitled to occupy, use, transfer, lease and mortgage the properties comprising land and buildings with total gross floor area of approximately 40,675.71 sq.m.;
 - d) The properties comprising land and buildings with total gross floor area of approximately 40,675.71 sq.m. are free from any mortgages, seizure, other's orders and other legal encumbrances which may cause adverse effect to the title of the aforesaid properties; and
 - e) The relevant Real Estate Title Certificates of the properties have been successfully and officially deregistered.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2023
2. A parcel of land located at Lot No.440222 001018 GB01082 W00000000, Huang Hua Yuan Industrial Zone, Tai Ping Town, Shixing County Shaoguan City, Guangdong Province, the PRC (位於中國廣東省韶關市始興縣太平鎮黃花園工業區440222001018 GB01082 W00000000地號的地塊)	The property comprises a parcel of land with a site area of approximately 21,338.00 sq.m.. The land use right of the property was granted for a term expiring on 13 January 2053 for industrial use.	The property was vacant land as at the Valuation Date.	RMB6,568,000

Notes:

- 1) Pursuant to the Real Estate Title Certificate 《粵(2018)始興縣不動產權第0000912號》(Yue (2018) Shixing Xian Bu Dong Chan Quan No. 0000912), the land use right of the property with site area of approximately 21,338.00 sq.m. was granted to Shixing Newway for a term of 50 years expiring on 13 January 2053 for industrial use.
- 2) Pursuant to the Management, the property was held by the Group for owner occupation in the PRC.
- 3) The accommodation value of land parcel of similar industrial premises in the locality as at the Valuation Date is in the range of around RMB330 per sq.m. to RMB390 per sq.m.. In the course of our valuation, after taking into account (i) the remaining tenure of the title ownership; and (ii) the average unit rate of comparable land parcel of approximately RMB350 per sq.m., we have adopted an unit rate of approximately RMB308 sq.m. for the land parcel of the property.
- 4) The property is situated at Huang Hua Yuan Industrial Area of Shaoguan City. The subject area is mainly surrounded by low to medium-rise residential and industrial buildings. Shixing Railway Station is just near to the property. Shaoguan railway station is about an hour driving distance away from the property. Taxis and buses are also accessible to the property.
- 5) We have been provided with the Legal Opinions, which contains, inter alia, the following information that has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:
 - a) The property has been registered with the Real Estate Title Certificate;
 - b) Shixing Newway is the holder of the land use right of the property;
 - c) Shixing Newway is entitled to occupy, use, transfer, lease and mortgage the property;
 - d) The property is free from any mortgages, seizure, other's orders and other legal encumbrances which may cause adverse effect to the title of the property; and
 - e) The Real Estate Title Certificate of the property has been successfully and officially deregistered.

1. 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 enquiries, 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.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors and chief executive of the Company

At the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company 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 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 were taken or deemed to have been taken under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in the shares of the Company

	Number of ordinary shares held			Total	Approximate percentage of shareholding (Note 1)
	Personal interests	Spouse interests	Corporate interests		
The Company					
Mr. Cheng Chor Kit (“ Mr. Cheng ”)	26,634,000	3,700,000	252,920,000	283,254,000	64.52%
			(Note 2)		
Mr. Liu Tat Luen	2,000,000	–	–	2,000,000	0.45%
Mr. Cheng Tsz To	3,000,000	–	–	3,000,000	0.68%
Mr. Cheng Tsz Hang	3,000,000	–	–	3,000,000	0.68%
Dr. Fung Wah Cheong, Vincent	8,152,000	–	–	8,152,000	1.85%
Mr. Wong Chi Wai	500,000	–	–	500,000	0.11%
Dr. Sun Kwai Yu, Vivian	1,000,000	–	–	1,000,000	0.22%
Mr. Cheng Kwok Kin, Paul (deceased)(Note 3)	80,000	–	–	80,000	0.02%
Mr. Cheung Wang Ip	200,000	–	–	200,000	0.04%

(b) Long position in the shares of the associated corporation of the Company

	Number of ordinary shares held			Total	Approximate percentage of shareholding
	Personal interests	Spouse interests	Corporate interests		
Associated Corporations					
Padora Global Inc					
Mr. Cheng Chor Kit	520	160	-	680	68.00%
Mr. Cheng Tsz To	160	-	-	160	16.00%
Mr. Cheng Tsz Hang	160	-	-	160	16.00%

- (1) The approximate 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) As at the Latest Practicable Date, Padora Global Inc (“**Padora**”), through its wholly-owned subsidiary, Resplendent Global Limited (“**Resplendent**”), indirectly held 252,920,000 shares of the Company. Mr. Cheng Chor Kit is interested directly in 52.0% of Padora, and the remaining shares are held equally by his spouse, and the Directors of the Company, namely, Mr. Cheng Tsz To and Mr. Cheng Tsz Hang.
- (3) Mr. Cheng Kwok Kin, Paul deceased on 12 September 2022.
- (4) Save as disclosed in note (2) above, all Directors have confirmed that they had no interests in any of its associated corporations of the Company as at the Latest Practicable Date.

(c) Long position in the underlying shares of the Company

Name of Director	Capacity	Number of underlying shares in respect of share options held and approximate percentage of shareholding	Date of Grant	Vesting period		Exercise period	Exercise price per share (HK\$)	Price of Company's shares immediately before the grant date (HK\$)
				from	to			
Mr. Wong Chi Wai	Beneficial owner	400,000 (0.09%)	7/7/2017			7/7/2017 – 6/7/2027	2.262	2.220
		100,000 (0.02%)	7/7/2017	7/7/2017	12/9/2017	13/9/2017 – 6/7/2027	2.262	2.220
		100,000 (0.02%)	9/7/2018	9/7/2018	12/9/2018	13/9/2018 – 8/7/2028	2.470	2.470
Dr. Sun Kwai Yu, Vivian	Beneficial owner	100,000 (0.02%)	9/7/2018	9/7/2018	12/9/2018	13/9/2018 – 8/7/2028	2.470	2.470
Mr. Cheng Kwok Kin, Paul [#] (deceased)	Beneficial owner	100,000 (0.02%)	7/7/2017			7/7/2017 – 6/7/2027	2.262	2.220
		100,000 (0.02%)	9/7/2018			9/7/2018 – 8/7/2028	2.470	2.470
Mr. Cheung Wang Ip	Beneficial owner	100,000 (0.02%)	9/7/2018	9/7/2018	20/7/2018	21/7/2018 – 8/7/2028	2.470	2.470

Mr. Cheng Kwok Kin, Paul deceased on 12 September 2022. Pursuant to the share option scheme adopted on 20 August 2012 (the “2012 Share Option Scheme”), his legal personal representative shall be entitled within the period of 12 months from the date of his death to exercise the share option.

The above options were granted under the 2012 Share Option Scheme of the Company.

Save as disclosed herein, at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 were taken or deemed to have been taken under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(ii) Interests of substantial shareholders and other persons

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons or corporations (other than the Directors or the chief executive of the Company) had an interest or short position in the shares, underlying shares and debentures of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Name of substantial shareholder	Nature of interest and capacity	Number of ordinary share held	Approximate percentage of the Company's issued share capital (Note 1)	Number of share option held
Resplendent Global Limited	Beneficial owner	252,920,000 (Note 2)	57.62%	–
Padora Global Inc	Interests in controlling corporation	252,920,000 (Note 2)	57.62%	–
Mdm. Tsang Yuk Wan ("Mdm. Tsang")	Interests in controlling corporation (Note 2)	252,920,000	57.62%	–
	Personal interests	3,700,000	0.84%	–
	Interests of spouse (Note 3)	26,634,000	6.06%	–

(1) The approximate 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) 252,920,000 shares of the Company are held by Resplendent, a wholly-owned subsidiary of Padora, relating to the same block of shareholding of Mr. Cheng disclosed in the section headed "Disclosure of Interests – Interests of Directors and chief executive of the Company" above. By virtue of the SFO, Mr. Cheng and his spouse, Mdm. Tsang, are deemed to be interested in all the shares of the Company held by Resplendent.

(3) 26,634,000 shares of the Company are held by Mr. Cheng in a personal capacity. By virtue of the SFO, Mdm. Tsang is deemed to be interested in all the shares of the Company held by Mr. Cheng.

3. SERVICE CONTRACTS

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

4. MATERIAL LITIGATION

At the Latest Practicable Date, there was no litigation or claim of material importance that is known to the Directors to be pending or threatened against any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

At the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, which was subsisting and was significant in relation to the business of the Group.

6. DIRECTORS' INTERESTS IN ASSETS

At the Latest Practicable Date, save for the announcement of the Company date 31 March 2023 in relation to the leasing of premises from a connected person of the Company, none of the Directors was interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 March 2022 (being the date to which the latest published audited financial statements of the Group were made up).

7. COMPETING INTERESTS OF DIRECTORS

As of the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interest of the Company and/or the Group.

8. MATERIAL CONTRACTS

The following contracts have been entered into by any member of the Group (not being contracts entered into in the ordinary course of business) within two years preceding the date of this circular:

- (a) the Lands Resumption Agreement together with the cooperation agreement

9. EXPERT AND CONSENT

The following is the qualification of the expert who has provided opinions and advice referred to or contained in this circular:

Name	Qualification
Valplus Consulting Limited	Independent property valuer and chartered professional Surveyors

The expert above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and/or references to its name in the form and context in which they respectively appear. Such letter and/or report and/or references from the expert are given as of the date of this circular for incorporation herein.

10. EXPERT'S INTEREST

The expert above has confirmed that at the Latest Practicable Date:

- (a) it did not have any shareholding interest, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and
- (b) it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 March 2022 (being the date to which the latest published audited financial statements of the Group were made up).

11. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is at 7th Floor, Galaxy Factory Building, 25-27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke HM 08, Bermuda.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) The company secretary of the Company is Mr. Hung Kam Wing, Timmy, a fellow member of the Institute of Chartered Accountants in English and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (f) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail over the Chinese text.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kinyat.com.hk) for a period of 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the years ended 31 March 2020, 2021 and 2022 and the interim report of the Company for the six months ended 30 September 2022;
- (c) the Valuation Report of the land use rights of the Lands and the construction erected on the Lands issued by Valplus Consulting Limited, the text of which is set out in Appendix II to this circular;
- (d) the material contracts referred to in the section headed “Material Contracts” in this appendix;
- (e) the written consent referred to in the section headed “Expert and Consent” in this appendix; and
- (f) this circular.