



KIN YAT HOLDINGS LIMITED

建溢集團有限公司

(incorporated in Bermuda with limited liability)

28 June 2024

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF KIN YAT HOLDINGS LIMITED
BY RESPLENDENT GLOBAL LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT 1981 OF BERMUDA
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
KIN YAT HOLDINGS LIMITED**

1. INTRODUCTION

On 18 April 2024, the Offeror and the Company jointly announced that on 27 March 2024, after trading hours, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act.



The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the expected timetable as well as to give you notices of the Court Meeting and the SGM (together with proxy forms in relation thereto). Your attention is drawn to the following sections of this Scheme Document: (i) the letter from the Independent Board Committee set out in Part IV; (ii) the letter from Lego set out in Part V; (iii) the Explanatory Statement set out in Part VI; (iv) the terms of the Scheme set out in Appendix IV to this Scheme Document; and (v) the Option Offer Letter, substantially in the form set out in Appendix VII to this Scheme Document.

2. TERMS OF THE PROPOSAL

The Scheme

If the Proposal is approved and implemented, all the Scheme Shares will be cancelled and extinguished in exchange for the Cancellation Price of HK\$0.72 in cash for every Scheme Share cancelled. Under the Scheme, the total consideration payable for the Scheme Shares will be payable by the Offeror.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so. Shareholders, Option Holders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

If after the Latest Practicable Date, any dividend or other distribution is made or paid in respect of the Scheme Shares and the record date to be announced by the Board for determining the entitlements of such dividend or other distribution falls on a day which is on or before the Effective Date, the Cancellation Price will be reduced by an amount equal to the amount of such dividend or other distribution. The Company confirms that as at the Latest Practicable Date, (a) the Company has not declared any dividend which remained unpaid; and (b) the Company has no intention to declare any dividend or other distribution on or before the Effective Date, or the date on which the Scheme is not approved or the Proposal otherwise lapses (as the case may be).

The Cancellation Price of HK\$0.72 per Scheme Share represents:

- (a) a premium of approximately 33.3% over the closing price of HK\$0.54 per Share, as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 43.4% over the average closing price of HK\$0.50 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 5 trading days up to and including the Last Trading Date;
- (c) a premium of approximately 51.5% over the average closing price of HK\$0.48 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 53.6% over the average closing price of HK\$0.47 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Date;



- (e) a premium of approximately 72.1% over the average closing price of HK\$0.42 per Share, based on the daily closing prices as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 7.5% over the closing price of HK\$0.67 per Share, as quoted on the Stock Exchange on the Latest Practicable Date;
- (g) a discount of approximately 63.1% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.95 as at 31 March 2024; and
- (h) a discount of approximately 57.4% to the Reassessed NAV per Share of approximately HK\$1.69.

The Cancellation Price has been determined after taking into account, among others, the prices at which the Shares have been traded on the Stock Exchange, and pricing premiums for recent privatisation transactions of companies listed on the Stock Exchange. Shareholders are advised to read the Explanatory Statement in Part VI of this Scheme Document for further details of the Scheme.

The Option Offer

As at the Latest Practicable Date, there were 700,000 outstanding Options granted under the Share Option Scheme, of which 500,000 outstanding Options are exercisable into 500,000 Shares at an exercise price of HK\$2.262 and 200,000 outstanding Options are exercisable into 200,000 Shares at an exercise price of HK\$2.470, and all such outstanding Options are vested. The exercise of all outstanding Options in full would result in the issue of 700,000 new Shares (representing approximately 0.16% of the issued share capital of the Company as at the Latest Practicable Date and approximately 0.16% of the issued share capital of the Company as enlarged by issue of such new Shares). The Company does not intend to grant any further Options between the Latest Practicable Date and the Effective Date.

The Offeror is making an appropriate offer to all the Option Holders for the cancellation of each Option in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective. Under the Option Offer, the Offeror is offering the Option Holders the Option Offer Price, which is a nominal amount of HK\$0.01 per outstanding Option, for cancellation of each outstanding Option they hold, as the exercise price of each Option exceeds the Cancellation Price and the “see-through” price (being the Cancellation Price minus the exercise price of each Option) is negative.

If any of the Options is exercised in accordance with the terms of the Share Option Scheme, as applicable, on or before the Latest Option Exercise Date, any Shares so issued will be subject to and eligible to participate in the Scheme. All outstanding Options will lapse automatically and not be exercisable (to the extent not already exercised or lapsed) upon the Scheme becoming effective.



Further information on the Option Offer is contained in the section headed “2. THE PROPOSAL – 2.2 The Option Offer” in the Explanatory Statement in Part VI of this Scheme Document and the Option Offer Letter, substantially in the form set out in Appendix VII.

3. FINANCIAL RESOURCES

As at the Latest Practicable Date, the total issued share capital of the Company comprises 438,960,000 Shares and 700,000 outstanding Options granted under the Share Option Scheme entitling the Option Holders to subscribe for an aggregate of 700,000 Shares.

On the assumption that (i) the Scheme has become effective; (ii) none of the outstanding Options are exercised as at the Scheme Record Date; and (iii) no further Shares are issued before the Scheme Record Date, there would be 155,706,000 Scheme Shares and 700,000 outstanding Options and accordingly, the amount of cash required for the Scheme is approximately HK\$112,108,320 and the amount of cash required for the Option Offer is approximately HK\$7,000.

On the assumption that (i) the Scheme has become effective; (ii) all the outstanding Options are exercised as at the Scheme Record Date and all the Option Holders of such outstanding Options become Scheme Shareholders; and (iii) no other Shares are issued before the Scheme Record Date, there would be 156,406,000 Scheme Shares and no Options outstanding and accordingly, the amount of cash required for the Scheme is approximately HK\$112,612,320 and nil for the Option Offer.

Consequently, on the basis described above, the maximum total cash consideration payable by the Offeror under the Proposal will amount to approximately HK\$112,612,320.

The Offeror intends to finance the cash required for the Proposal by the Facility made available by Shanghai Pudong Development Bank Co., Ltd acting through its Hong Kong branch to the Offeror.

Honestum and SPDB International, as the joint financial advisers to the Offeror in relation to the Proposal, are satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of cash consideration required for full implementation of the Proposal.

4. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The Proposal is, and the Scheme will become effective and binding on the Company and all Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of all the Conditions on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

For details of the Conditions, your attention is drawn to the section headed “3. CONDITIONS OF THE PROPOSAL AND THE SCHEME” in the Explanatory Statement in Part VI of this Scheme Document.

Warning: Shareholders, Option Holders and potential investors of the Company should be aware that the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not be implemented. Shareholders, Option Holders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.



5. SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) assuming full conversion of the Options prior to the Scheme Record Date; and (iii) assuming full conversion of the Options and upon the Scheme becoming effective, assuming that there are no other changes in the shareholding of the Company between the Latest Practicable Date and the Scheme Record Date:

	As at the Latest Practicable Date		Assume full conversion of the Options prior to the Scheme Record Date		Assume full conversion of the Options and upon the Scheme becoming effective	
	Number of Shares	Approximate % of the issued share capital of the Company ⁽⁶⁾	Number of Shares	Approximate % of the issued share capital of the Company ⁽⁶⁾	Number of Shares	Approximate % of the issued share capital of the Company ⁽⁶⁾
Offeror ⁽¹⁾	252,920,000	57.62%	252,920,000	57.53%	409,326,000	93.10%
Offeror Concert Parties not subject to the Scheme						
– Mr. Cheng Chor Kit ⁽²⁾	26,634,000	6.07%	26,634,000	6.06%	26,634,000	6.06%
– Mdm. Tsang Yuk Wan ⁽²⁾	3,700,000	0.84%	3,700,000	0.84%	3,700,000	0.84%
Offeror Concert Parties subject to the Scheme						
– Mr. Cheng Tsz To ⁽²⁾	3,000,000	0.68%	3,000,000	0.68%	–	–
– Mr. Cheng Tsz Hang ⁽²⁾	3,000,000	0.68%	3,000,000	0.68%	–	–
– Mr. Liu Tai Luen ⁽³⁾	2,000,000	0.46%	2,000,000	0.46%	–	–
Sub-total: Offeror and Offeror Concert Parties	<u>291,254,000</u>	<u>66.35%</u>	<u>291,254,000</u>	<u>66.25%</u>	<u>439,660,000</u>	<u>100.00%</u>
Disinterested Scheme Shareholders ⁽⁴⁾						
– Mr. Wong Chi Wai ^(4,5)	500,000	0.11%	1,100,000	0.25%	–	–
– Mr. Cheung Wang Ip ^(4,5)	200,000	0.05%	300,000	0.07%	–	–
– others	147,006,000	33.49%	147,006,000	33.43%	–	–
Sub-total: Disinterested Scheme Shareholders	<u>147,706,000</u>	<u>33.65%</u>	<u>148,406,000</u>	<u>33.75%</u>	<u>–</u>	<u>–</u>
Total	<u>438,960,000</u>	<u>100.00%</u>	<u>439,660,000</u>	<u>100.00%</u>	<u>439,660,000</u>	<u>100.00%</u>
Scheme Shareholders	<u>155,706,000</u>	<u>35.47%</u>	<u>156,406,000</u>	<u>35.57%</u>	<u>–</u>	<u>–</u>



Notes:

- (1) The Offeror is wholly-owned by Padora Global Inc., which is in turn owned as to 52% by Mr. Cheng Chor Kit, who is the chairman and chief executive officer of the Company, and as to 48% equally by his spouse, Mdm. Tsang Yuk Wan, and their two sons, namely, Mr. Cheng Tsz To and Mr. Cheng Tsz Hang, both also being executive Directors.
- (2) The Shares held by Mr. Cheng Chor Kit and his spouse, Mdm. Tsang Yuk Wan will not form part of the Scheme Shares and will not be cancelled and extinguished upon the Scheme becoming effective. Mr. Cheng Tsz To and Mr. Cheng Tsz Hang have expressed their desire to have their Shares subject to the Scheme and be cancelled and extinguished upon the Scheme becoming effective such that their interest in the Company will be consolidated on a holding company level in Padora Global Inc., the sole shareholder of the Offeror.
- (3) Mr. Liu Tat Luen is an executive Director and therefore presumed to be acting in concert with the Offeror under class (6) of the definition of “acting in concert” of the Takeovers Code. The Shares held by Mr. Liu Tat Luen will form part of the Scheme Shares and will be cancelled and extinguished upon the Scheme becoming effective.
- (4) Mr. Wong Chi Wai and Mr. Cheung Wang Ip are independent non-executive Directors. None of these Directors is acting in concert with the Offeror or was involved in the discussion or negotiation in relation to or has any interest in the Proposal (other than being a Shareholder subject to the Scheme and an Option Holder subject to the Option Offer). The Shares held by such Directors will form part of the Scheme Shares and will be cancelled and extinguished upon the Scheme becoming effective.
- (5) As at the Latest Practicable Date, 600,000 outstanding Options are held by Mr. Wong Chi Wai, and 100,000 outstanding Options are held by Mr. Cheung Wang Ip. The exercise of such outstanding Options in full on or before the Scheme Record Date will result in the issue of 700,000 new Shares in total (representing approximately 0.16% of the issued share capital of the Company as at the Latest Practicable Date and approximately 0.16% of the issued share capital of the Company as enlarged by issue of such new Shares) to them, and such new Shares, if issued, will form part of the Scheme Shares held by the Disinterested Scheme Shareholders.
- (6) All percentages in the above table are approximations and rounded to the nearest 2 decimal places and the aggregate percentages may not add up due to rounding.

6. REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the section headed “9. REASONS FOR AND BENEFITS OF THE PROPOSAL” in the Explanatory Statement in Part VI of this Scheme Document.

7. INFORMATION ON THE GROUP AND THE OFFEROR

The Group

The Group is principally engaged in the development and production of niche, technology-driven and quality electrical and electronic products as well as a premier provider of electric motor drives and related products under its own house brand. It is also engaged in the real estate development businesses in the PRC.

The Offeror

The Offeror is a company incorporated in the BVI and is an investment holding company. The Offeror is ultimately beneficially owned as to 52% by Mr. Cheng Chor Kit, who is the executive Director, chairman and chief executive officer of the Company, and as to 48% equally by his spouse, Mdm. Tsang Yuk Wan, and their two sons, namely, Mr. Cheng Tsz To and Mr. Cheng Tsz Hang, both also being executive Directors. The main assets of the Offeror are the Shares it holds in the Company.

The directors of the Offeror are Mr. Cheng Chor Kit and Mdm. Tsang Yuk Wan.



8. INTENTIONS OF THE OFFEROR WITH REGARD TO THE GROUP

Your attention is drawn to the section headed “10. INTENTIONS OF THE OFFEROR WITH REGARD TO THE GROUP” in the Explanatory Statement in Part VI of this Scheme Document.

The Board welcomes the intentions of the Offeror in respect of the Company and its employees and will cooperate with and provide full support to the Offeror to facilitate the continued smooth business operations and management of the Group.

9. INDEPENDENT BOARD COMMITTEE

The Board has established the Independent Board Committee, which comprises all the independent non-executive Directors, namely, Mr. Wong Chi Wai, Mr. Cheung Wang Ip and Mr. Chan Yim Por Bonnie, to make a recommendation to the Disinterested Scheme Shareholders and the Option Holders as to whether the Proposal is or is not fair and reasonable, and as to voting by the Disinterested Scheme Shareholders at the Court Meeting and the SGM and as to acceptance of the Option Offer. As at the Latest Practicable Date, 500,000 Shares (representing approximately 0.11% of the issued share capital of the Company) are held by Mr. Wong Chi Wai and 200,000 Shares (representing approximately 0.05% of the issued share capital of the Company) are held by Mr. Cheung Wang Ip. In addition, as at the Latest Practicable Date, 600,000 outstanding Options are held by Mr. Wong Chi Wai and 100,000 outstanding Options are held by Mr. Cheung Wang Ip. The exercise of such outstanding Options in full on or before the Scheme Record Date will result in the issue of 700,000 new Shares in total (representing approximately 0.16% of the issued share capital of the Company as at the Latest Practicable Date and approximately 0.16% of the issued share capital of the Company as enlarged by issue of such new Shares) to Mr. Wong Chi Wai and Mr. Cheung Wang Ip.

The full text of the letter from the Independent Board Committee is set out in the “Letter from the Independent Board Committee” in Part IV of this Scheme Document.

10. INDEPENDENT FINANCIAL ADVISER

The Company has appointed Lego as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal. Such appointment has been approved by the Independent Board Committee.

The full text of the letter from the Independent Financial Adviser is set out in the “Letter from Lego” in Part V of this Scheme Document.

11. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.



The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, subject to the Scheme becoming effective, immediately following the Effective Date.

12. IF THE PROPOSAL IS NOT APPROVED OR LAPSES

The Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses, in which case the Board expects that the Company will continue to meet the minimum public float requirements under the Listing Rules given that there will be no cancellation of Scheme Shares and assuming there is no change in the shareholding of the Company.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1 of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive. The Offeror has no intention to seek such consent.

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code. Since the Independent Board Committee and the Independent Financial Adviser have both recommended the Proposal, the Company and the Offeror have agreed that each party shall bear their own costs, charges and expenses of and incidental to the Scheme and the Proposal.

13. COURT MEETING AND SGM

Notices convening the Court Meeting and the SGM to be held at Montparnasse Room I-III, 2/F., Regal Kowloon Hotel, 71 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 26 July 2024 at 10:00 a.m. and 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting), respectively, are set out in Appendix V and Appendix VI to this Scheme Document.

The Court has directed the Court Meeting to be convened and held for the purpose of considering and, if thought fit, approving (with or without modifications) the Scheme. The Scheme is subject to the approval by the Scheme Shareholders at the Court Meeting in the manner referred to in Condition (a) in the section headed “3. CONDITIONS OF THE PROPOSAL AND THE SCHEME” in the Explanatory Statement in Part VI of this Scheme Document. The Scheme must also be sanctioned by the Court as required by Section 99 of the Companies Act.

Immediately after the conclusion or adjournment of the Court Meeting, the SGM will be held for the purpose of considering and, if thought fit, passing a special resolution for the implementation of the Proposal in the manner referred to in Condition (b) in the section headed “3. CONDITIONS OF THE PROPOSAL AND THE SCHEME” in the Explanatory Statement in Part VI of this Scheme Document.



An announcement will be made by the Company in relation to the results of the Court Meeting and the SGM. Such announcement will contain the information as required by Rule 19.1 of the Takeovers Code.

14. OVERSEAS SCHEME SHAREHOLDERS AND OPTION HOLDERS

Your attention is drawn to the section headed “17. OVERSEAS SCHEME SHAREHOLDERS AND OPTION HOLDERS” in the Explanatory Statement in Part VI of this Scheme Document.

15. ACTIONS TO BE TAKEN

Your attention is drawn to the section headed “IMPORTANT NOTICE AND ACTIONS TO BE TAKEN” of this Scheme Document for details of the actions you should take as a Shareholder, as a Beneficial Owner whose Shares are held by a Registered Owner, as a Beneficial Owner whose Shares are deposited in CCASS or as an Option Holder.

16. RECOMMENDATIONS

Your attention is drawn to (i) the recommendations of the Independent Board Committee in respect of the Proposal, the Scheme and the Option Offer as set out in the letter from the Independent Board Committee in Part IV of this Scheme Document; and (ii) the recommendations of the Independent Financial Adviser in respect of the Proposal, the Scheme and the Option Offer as set out in the letter from Lego in Part V of this Scheme Document which sets out the factors and reasons taken into account by Lego in arriving at its advice to the Independent Board Committee. We would advise you to read these letters carefully before you take any action in respect of the Proposal, the Scheme and the Option Offer.

17. TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the section headed “18. TAXATION” in the Explanatory Statement in Part VI of this Scheme Document.

It is emphasised that none of the Offeror, the Company, Honestum, SPDB International, Lego nor any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their approval or disapproval of the Proposal. All Scheme Shareholders and Option Holders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Proposal.

18. FURTHER INFORMATION

You are urged to read the whole of this Scheme Document, in particular:

- (i) the letter from the Independent Board Committee in Part IV of this Scheme Document;
- (ii) the letter from Lego in Part V of this Scheme Document;



- (iii) the Explanatory Statement in Part VI of this Scheme Document;
- (iv) the Appendices to this Scheme Document;
- (v) the Scheme as set out in Appendix IV to this Scheme Document; and
- (vi) the notice of Court Meeting and the notice of SGM as set out in Appendix V and Appendix VI to this Scheme Document.

In addition, a **pink** form of proxy for the Court Meeting and a **white** form of proxy for the SGM are enclosed with this Scheme Document.

Shareholders, Option Holders and potential investors of the Company should be aware that the Proposal is subject to the Conditions being fulfilled or waived (as applicable), and therefore the Proposal may or may not be implemented. Shareholders, Option Holders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

Option Holders are urged to read the Option Offer Letter carefully, which is being sent separately to Option Holders on the date of this Scheme Document and is substantially in the form set out in "Form of Option Offer Letter" in Appendix VII to this Scheme Document, and the Form of Acceptance in respect of the Option Offer.

Yours faithfully,
For and on behalf of
KIN YAT HOLDINGS LIMITED

Cheng Tsz To
Executive Director