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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)

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020**

The Board of Directors (the “Board”) of Kin Yat Holdings Limited (the “Company”) would like to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2020, together with the comparative figures for the previous corresponding year and the relevant explanatory notes, as set out below:

### **CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 March 2020*

	Notes	2020 HK\$'000	2019 HK\$'000 (Restated)
<b>Revenue</b>	3	<b>3,114,221</b>	4,139,886
Cost of sales	5	(2,780,880)	(3,850,010)
Gross profit		<b>333,341</b>	289,876
Other income and gains, net	4	<b>101,647</b>	76,412
Selling and distribution expenses	5	(46,791)	(66,619)
Administrative expenses	5	(169,759)	(148,418)
Impairment losses on financial assets		(3,283)	(3,299)
Finance costs, net		(17,742)	(12,729)
Share of losses of associates		(955)	(827)
<b>Profit before income tax</b>		<b>196,458</b>	134,396
Income tax expense	6	(22,821)	(19,178)
<b>Profit for the year from continuing operations</b>		<b>173,637</b>	115,218
<b>Discontinued operation</b>			
Loss for the year from discontinued operation		(8,272)	(4,807)
<b>Profit for the year</b>		<b>165,365</b>	110,411
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company		<b>170,049</b>	112,384
Non-controlling interests		(4,684)	(1,973)
		<b>165,365</b>	110,411
<b>Profit/(loss) attributable to the equity holders of the Company arising from:</b>			
Continuing operations		<b>175,343</b>	115,598
Discontinued operation		(5,294)	(3,214)
		<b>170,049</b>	112,384

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020 HK\$'000	2019 HK\$'000 (Restated)
<b>Profit for the year</b>	<u>165,365</u>	<u>110,411</u>
<b>Other comprehensive loss arising from continuing operations:</b>		
<i>Item that may be reclassified to the income statement:</i>		
Exchange translation reserve on translation of foreign operations	<u>(88,942)</u>	<u>(76,878)</u>
	<u>(88,942)</u>	<u>(76,878)</u>
<i>Other comprehensive (loss)/income not to be reclassified to the income statement in subsequent periods:</i>		
(Deficit)/surplus on revaluation of land and buildings	(4,864)	68,930
Deferred tax credited/(debited) to asset revaluation reserve	<u>3,576</u>	<u>(13,977)</u>
	<u>(1,288)</u>	<u>54,953</u>
<b>Other comprehensive loss arising from discontinued operation:</b>		
<i>Item that may be reclassified to the income statement:</i>		
Exchange translation reserve on translation of foreign operations	<u>(262)</u>	<u>(18)</u>
<b>Other comprehensive loss for the year, net of tax</b>	<u>(90,492)</u>	<u>(21,943)</u>
<b>Total comprehensive income for the year</b>	<u><u>74,873</u></u>	<u><u>88,468</u></u>

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)**

*For the year ended 31 March 2020*

		<b>2020</b>	2019
		<b>HK\$'000</b>	HK\$'000
	<i>Note</i>		(Restated)
<b>Total comprehensive income/(loss)</b>			
<b>for the year attributable to:</b>			
Equity holders of the Company		<b>79,462</b>	90,519
Non-controlling interests		<b>(4,589)</b>	(2,051)
		<u><b>74,873</b></u>	<u>88,468</u>
<b>Total comprehensive income/(loss) for the</b>			
<b>year attributable to equity holders of the</b>			
<b>Company arising from:</b>			
Continuing operations		<b>84,923</b>	93,745
Discontinued operation		<b>(5,461)</b>	(3,226)
		<u><b>79,462</b></u>	<u>90,519</u>
<b>Earnings/(losses) per share attributable to</b>			
<b>equity holders of the Company</b>			
Basic			
Continuing operations		<b>HK39.95 cents</b>	HK26.34 cents
Discontinued operation		<b>HK(1.21) cents</b>	HK(0.73) cents
Total – included discontinued operation	8	<u><b>HK38.74 cents</b></u>	<u>HK25.61 cents</u>
Diluted			
Continuing operations		<b>HK39.95 cents</b>	HK26.32 cents
Discontinued operation		<b>HK(1.21) cents</b>	HK(0.73) cents
Total – included discontinued operation	8	<u><b>HK38.74 cents</b></u>	<u>HK25.59 cents</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 March 2020*

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>989,154</b>	1,123,724
Investment properties		<b>57,975</b>	65,070
Prepaid land lease payments		–	23,437
Right-of-use assets		<b>26,243</b>	–
Properties under development		<b>42,534</b>	44,847
Intangible assets		<b>7,873</b>	35,779
Investments in associates		<b>4,854</b>	12,065
Financial assets at fair value through profit or loss		<b>12,336</b>	–
Prepayments and deposits		<b>163,964</b>	210,642
Deferred tax assets		<b>20,886</b>	25,920
		<hr/>	<hr/>
Total non-current assets		<b>1,325,819</b>	1,541,484
<b>Current assets</b>			
Properties under development		<b>269,847</b>	485,863
Completed properties held for sale		<b>154,464</b>	–
Inventories		<b>298,580</b>	615,365
Accounts and bills receivable	9	<b>221,017</b>	312,149
Contract assets		–	22,983
Prepayments and deposits		<b>190,221</b>	155,772
Financial assets at fair value through profit or loss		<b>8,533</b>	14,140
Tax recoverable		<b>2,480</b>	791
Time deposits		<b>14,641</b>	13,754
Restricted bank deposits	10	<b>11,925</b>	5,017
Cash and bank balances		<b>244,681</b>	222,153
		<hr/>	<hr/>
		<b>1,416,389</b>	1,847,987
Assets classified as held for sale		<b>132,153</b>	–
		<hr/>	<hr/>
Total current assets		<b>1,548,542</b>	1,847,987
		<hr/>	<hr/>
<b>Total assets</b>		<b>2,874,361</b>	3,389,471
		<hr/> <hr/>	<hr/> <hr/>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

*As at 31 March 2020*

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>EQUITY</b>			
<i>Equity attributable to equity holders of the Company</i>			
Share capital		<b>43,896</b>	43,896
Reserves		<b>1,182,024</b>	1,161,616
		<b>1,225,920</b>	1,205,512
<b>Non-controlling interests</b>		<b>162</b>	4,414
<b>Total equity</b>		<b>1,226,082</b>	1,209,926
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income and other payable		<b>83,371</b>	82,090
Bank borrowings	12	<b>263,566</b>	—
Lease liabilities		<b>2,150</b>	—
Deferred tax liabilities		<b>33,718</b>	57,285
<b>Total non-current liabilities</b>		<b>382,805</b>	139,375
<b>Current liabilities</b>			
Accounts and bills payable, other payables and provisions		<b>624,131</b>	1,000,597
Contract liabilities		<b>68,092</b>	166,181
Bank borrowings	12	<b>413,243</b>	810,106
Lease liabilities		<b>1,850</b>	—
Tax payable		<b>62,562</b>	63,286
		<b>1,169,878</b>	2,040,170
Liabilities directly associated with assets classified as held for sale		<b>95,596</b>	—
<b>Total current liabilities</b>		<b>1,265,474</b>	2,040,170
<b>Total liabilities</b>		<b>1,648,279</b>	2,179,545
<b>Total equity and liabilities</b>		<b>2,874,361</b>	3,389,471

## NOTES

### 1. BASIS OF PREPARATION

#### (a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

#### (b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets, certain classes of property, plant and equipment and investment properties, which are measured at fair value.

#### (c) Restatements due to discontinued operation

The presentation of comparative information in respect of the consolidated income statement and the consolidated statement of comprehensive income for the year ended 31 March 2019 has been restated in order to disclose the discontinued operation separately from continuing operations.

As the restatements do not affect the consolidated statement of financial position, it is not necessary to disclose comparative information as at 1 April 2018.

#### (d) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019:

Annual Improvements	Annual Improvements 2015-2017 Cycle
Project (Amendments)	
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting HKFRS 16 as disclosed in Note 2. This is disclosed as below. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

## 1. BASIS OF PREPARATION (continued)

### (e) New standards and amendments to HKFRS in issue but not yet effective

Certain new accounting standards and amendments have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	<i>Amendments to Definition of Material</i>	1 April 2020
HKFRS 3 (Amendments)	<i>Definition of Business</i>	1 April 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	<i>Hedge accounting</i>	1 April 2020
Conceptual Framework for Financial Reporting 2018	<i>Revised Conceptual Framework for Financial Reporting</i>	1 April 2020
HKFRS 17	<i>Insurance Contracts</i>	1 April 2021
HKAS 28 (Amendments) and HKFRS 10	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The Group will apply the above new standards and amendments to standards when they become effective. The directors of the Company assess that the adoption of the new standards and amendments to standards is not expected to have any significant impact on the results and the financial position of the Group.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

This note explains the impact of the adoption of HKFRS 16 *Leases* on the Group's financial statements.

As indicated in above, the Group has adopted HKFRS 16 from 1 April 2019 using the modified retrospective approach without restating comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 2.2%.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### (i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 “Determining whether an Arrangement contains a Lease”.

### (ii) Measurement of lease liabilities

	2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	1,204
Less: Discounted using the lessee's incremental borrowing rate at the date of initial application	(32)
Less: Short-term leases recognised on a straight-line basis as expense	(217)
Lease liability recognised as at 1 April 2019	955
Of which are:	
Current lease liabilities	516
Non-current lease liabilities	439
	955

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### (iii) Measurement of right-of-use assets

All the right-of-use assets were measured on a modified retrospective basis as if the new rules had always been applied.

Until 31 March 2019, the Group applied a cost model to account for prepaid land lease payments in the PRC, and a revaluation model to account for the leasehold land in Hong Kong classified as property, plant and equipment.

With effect from 1 April 2019, prepaid land lease payments and leasehold land previously presented as separate items on the consolidated statement of financial position are reclassified as right-of-use assets as single class of asset, of which the Group has elected to measure at cost. As a result, the leasehold land which was previously stated at revalued amount was restated at cost less accumulated depreciation on the adoption date. Revaluation reserve amounted to HK\$74,149,000 and the associated deferred tax liabilities amounted to HK\$14,652,000 were reversed accordingly.

### (iv) Adjustments recognised in the consolidated statement of financial position on 1 April 2019

The following table shows the adjustments for change in accounting policy recognised for each individual line item. Line items that were not affected by the changes have not been included.

	31 March 2019 as previously reported <i>HK\$'000</i>	Effect of the adoption of HKFRS 16 <i>HK\$'000</i>	1 April 2019 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1,123,724	(76,490)	1,047,234
Right-of-use assets	–	27,176	27,176
Prepaid land lease payments	23,437	(23,437)	–
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Lease liabilities	–	516	516
<b>Non-current liabilities</b>			
Lease liabilities	–	439	439
Deferred tax liabilities	57,285	(14,652)	42,633
<b>EQUITY</b>			
Retained profits	806,775	15,095	821,870
Asset revaluation reserve	218,369	(74,149)	144,220

### (v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

### 3. SEGMENT INFORMATION

Chief operating decision maker (“CODM”) has been identified as the Board of Directors of the Company (the “Directors”). CODM reviews the Group’s internal reports in order to assess performance, allocate resources and determine the operating segments.

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the electrical and electronic products segment consists of the manufacture and sale of AI robotics, IoT and smart home products, electronic entertainment products and other related products;
- (b) the motors segment consists of the development, design, manufacture and sale of electric motor drives and related products and encoder film;
- (c) the real estate development segment; and
- (d) the glass technology and application segment consists of the sale and downstream processing of glass as well as the design, manufacture and installation of curtain wall systems.

The operation of glass technology and application segment (“Disposal Group”) was discontinued during year ended 31 March 2020 and its assets and liabilities were classified as held for sale as at balance sheet date. Information about the discontinued operations is provided in Note 13. The comparative figures in the consolidated income statement and consolidated statement of comprehensive income have been restated to present the results of Disposal Group as discontinued operation.

The information about electrical and electronic products segment, motor segment and the real estate development segment (collectively the “Remaining Group”) are presented as continuing operations in the consolidated financial statements.

Management monitors the operating results of the Group’s business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to the third parties at the then prevailing market prices.

### 3. SEGMENT INFORMATION (continued)

#### (a) Operating segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 March 2020 and 2019.

#### 31 March 2020

	Continuing operations						Discontinued operation		Consolidated HK\$'000
	Electrical and electronic products HK\$'000	Motors HK\$'000	Real estate development HK\$'000	Others HK\$'000	Eliminations HK\$'000	Sub-total HK\$'000	Glass technology and application HK\$'000	Eliminations HK\$'000	
Segment revenue									
Revenue from external customers									
Timing of revenue recognition									
– At a point of time	2,202,402	836,745	75,074	–	–	3,114,221	44,033	–	3,158,254
– Over time	–	–	–	–	–	–	9,798	–	9,798
	<u>2,202,402</u>	<u>836,745</u>	<u>75,074</u>	<u>–</u>	<u>–</u>	<u>3,114,221</u>	<u>44,033</u>	<u>–</u>	<u>3,158,254</u>
Inter-segment sales	2,202,402	836,745	75,074	–	–	3,114,221	53,831	–	3,168,052
	31,283	4,023	–	–	(35,306)	–	1,802	(1,802)	–
	<u>2,233,685</u>	<u>840,768</u>	<u>75,074</u>	<u>–</u>	<u>(35,306)</u>	<u>3,114,221</u>	<u>55,633</u>	<u>(1,802)</u>	<u>3,168,052</u>
Total	<u>2,233,685</u>	<u>840,768</u>	<u>75,074</u>	<u>–</u>	<u>(35,306)</u>	<u>3,114,221</u>	<u>55,633</u>	<u>(1,802)</u>	<u>3,168,052</u>
Other income/(expenses) and gains/(losses), net	36,081	38,840	(42)	1,040	–	75,919	1,090	–	77,009
	<u>36,081</u>	<u>38,840</u>	<u>(42)</u>	<u>1,040</u>	<u>–</u>	<u>75,919</u>	<u>1,090</u>	<u>–</u>	<u>77,009</u>
Segment results	162,172	45,410	(1,574)	(3,022)	–	202,986	(8,800)	–	194,186
	<u>162,172</u>	<u>45,410</u>	<u>(1,574)</u>	<u>(3,022)</u>	<u>–</u>	<u>202,986</u>	<u>(8,800)</u>	<u>–</u>	<u>194,186</u>
Unallocated gain, net						25,728			25,728
Unallocated expenses						(13,559)			(13,559)
Finance costs, net						(17,742)			(17,742)
Share of losses from investment in associates						(955)			(955)
						<u>(955)</u>			<u>(955)</u>
Profit before income tax						196,458			187,658
Income tax (expense)/credit						(22,821)	528		(22,293)
						<u>173,637</u>			<u>165,365</u>
Profit for the year						<u>173,637</u>			<u>165,365</u>

### 3. SEGMENT INFORMATION (continued)

31 March 2019

	Continuing operations					Discontinued operation			
	Electrical and electronic products HK\$'000	Motors HK\$'000	Real estate development HK\$'000	Others HK\$'000 (Restated)	Elimination HK\$'000 (Restated)	Sub-total HK\$'000 (Restated)	Glass technology and application HK\$'000 (Restated)	Eliminations HK\$'000 (Restated)	Consolidated HK\$'000 (Restated)
Segment revenue									
Revenue from external customers									
Timing of revenue recognition									
– At a point of time	3,166,417	972,817	–	652	–	4,139,886	45,655	–	4,185,541
– Over time	–	–	–	–	–	–	36,337	–	36,337
	3,166,417	972,817	–	652	–	4,139,886	81,992	–	4,221,878
Inter-segment sales	46,471	7,491	–	–	(53,962)	–	825	(825)	–
Total	<u>3,212,888</u>	<u>980,308</u>	<u>–</u>	<u>652</u>	<u>(53,962)</u>	<u>4,139,886</u>	<u>82,817</u>	<u>(825)</u>	<u>4,221,878</u>
Other income and gains, net	<u>14,312</u>	<u>41,809</u>	<u>6,310</u>	<u>7,209</u>	<u>–</u>	<u>69,640</u>	<u>1,473</u>	<u>–</u>	<u>71,113</u>
Segment results	<u>93,035</u>	<u>56,793</u>	<u>(402)</u>	<u>4,199</u>	<u>–</u>	<u>153,625</u>	<u>(5,225)</u>	<u>–</u>	<u>148,400</u>
Unallocated gains, net						6,772			6,772
Unallocated expenses						(12,445)			(12,445)
Finance costs, net						(12,729)			(12,729)
Share of loss from investment in associates						(827)			(827)
Profit before income tax						134,396			129,171
Income tax (expense)/credit						(19,178)	418		(18,760)
Profit for the year						<u>115,218</u>			<u>110,411</u>

#### (b) Geographical information

	United States of America		Europe		Asia		Others		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Restated)
Segment revenue:										
Revenue from external customers										
– Continuing operations	1,602,165	1,715,470	505,274	949,124	1,005,390	1,283,157	1,392	192,135	3,114,221	4,139,886
– Discontinued operation	–	–	–	–	53,831	81,992	–	–	53,831	81,992

The revenue information above is based on the locations of the customers.

#### 4. OTHER INCOME AND GAINS, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Fair value (loss)/gain on financial assets at fair value through profit or loss, net	(4,956)	6,720
Fair value (loss)/gain on investment properties, net	(229)	5,383
(Loss)/gain on disposal of property, plant and equipment, net	(622)	1,438
Gain on disposal of a property ( <i>Note 14</i> )	16,842	–
Gain on disposal of equity interest in an associate	1,013	–
Gain on disposal of a subsidiary ( <i>Note 14</i> )	31,416	–
Gross rental income	928	3,778
Sales of scrap materials	6,024	3,037
Subsidy income ( <i>Note</i> )	47,268	45,545
Write-back of impairment in property, plant and equipment	–	7,189
Others	3,963	3,322
	<u>101,647</u>	<u>76,412</u>

*Note:*

Various government subsidies have been received from the local government authorities for subsidising the operating activities, research and development activities, and acquisition of fixed assets. During the year ended 31 March 2020, subsidy income amounting to HK\$47,268,000 (2019: HK\$45,545,000) are recognised in profit or loss, including the recognition of deferred government subsidy income of HK\$36,595,000 (2019: HK\$33,112,000).

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after (crediting)/charging:

	2020 HK\$'000	2019 HK\$'000 (Restated)
Cost of inventories sold	2,051,161	2,919,209
Cost of properties sold	69,832	–
Amortisation of prepaid land lease payments	–	650
Depreciation of property, plant and equipment	114,167	101,850
Depreciation of right-of-use assets	3,771	–
Direct operating expenses (including repairs and maintenance) arising from rental earning investment properties	130	281
Employee benefit expenses	546,614	735,056
Legal and professional fee	6,889	8,942
Short-term lease expenses	1,135	–
Operating lease payments in respect of land and buildings	–	7,268
(Write-back of impairment)/impairment of inventories	(12,725)	3,034
Write-off of property, plant and equipment	<u>5,624</u>	<u>–</u>

## 6. INCOME TAX

	2020 HK\$'000	2019 HK\$'000 (Restated)
Current – Hong Kong		
Charge for the year	8,599	12,142
Adjustment for current tax of prior years	3,412	2,180
Current – Elsewhere		
Charge for the year	6,987	2,591
Adjustment for current tax of prior years	(8)	(8,118)
Deferred tax	<u>3,831</u>	<u>10,383</u>
Total tax charge for the year	<u>22,821</u>	<u>19,178</u>

## 7. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Dividends paid during the year</b>		
No final dividend in respect of the financial year ended 31 March 2019 paid during the year (2019: Final dividend in respect of the financial year ended 31 March 2018 – HK7.0 cents per ordinary share)	–	30,728
No interim dividend paid during the year (2019: HK3.0 cents per ordinary share)	–	13,168
	<u>–</u>	<u>13,168</u>
	<u><u>–</u></u>	<u><u>43,896</u></u>

The Board has resolved not to declare any final dividend for the year ended 31 March 2020 (2019: Nil).

## 8. EARNINGS PER SHARE

A reconciliation of the earnings used in calculating earnings per share is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	175,343	115,598
From discontinued operation	(5,294)	(3,214)
	<u>170,049</u>	<u>112,384</u>

Basic earnings per share is calculated by dividing:

- profit for the year attributable to equity holders of the Company of HK\$170,049,000 (2019: HK\$112,384,000),
- by the weighted average number of ordinary shares of 438,960,000 (2019: 438,831,233) in issue during the year.

	2020 <i>HK Cents</i>	2019 <i>HK Cents</i> (Restated)
Earnings from continuing operations per share	39.95	26.34
Losses from discontinued operation per share	<u>(1.21)</u>	<u>(0.73)</u>
Total basic earnings per share attributable to the equity holders of the Company	<u><u>38.74</u></u>	<u><u>25.61</u></u>

## 8. EARNINGS PER SHARE (continued)

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

A reconciliation of the weighted average number of ordinary shares used in calculating the basic and diluted earnings per share is as follows:

	2020	2019
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>438,960,000</b>	438,831,233
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the year	<u>–</u>	<u>369,565</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><b>438,960,000</b></u>	<u>439,200,798</u>
	<b>2020</b>	2019
	<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
Diluted earnings from continuing operations per share	<b>39.95</b>	26.32
Diluted losses from discontinued operation per share	<u>(1.21)</u>	<u>(0.73)</u>
Total diluted earnings per share attributable to the equity holders of the Company	<u><b>38.74</b></u>	<u>25.59</u>
Earnings from continuing operations per share		
– Basic earnings per share	<b>39.95</b>	26.34
– Diluted earnings per share	<u><b>39.95</b></u>	<u>26.32</u>
Losses from discontinued operation per share		
– Basic losses per share	<b>(1.21)</b>	(0.73)
– Diluted losses per share	<u><b>(1.21)</b></u>	<u>(0.73)</u>

## 8. EARNINGS PER SHARE (continued)

### Diluted earnings/(losses) per share

The diluted earnings/(losses) from continuing operations and discontinued operation per share is equal to the basic earnings/(losses) per share for the year ended 31 March 2020 as the outstanding share options did not have dilutive effect because the exercise price per share option was higher than the average share price of the Company during the year.

## 9. ACCOUNTS AND BILLS RECEIVABLE

An aging analysis of the accounts and bills receivable as at the end of the reporting period, based on the invoice date, is as follows:

	2020 HK\$'000	2019 HK\$'000
0 - 30 days	123,280	166,541
31 - 60 days	44,656	51,263
61 - 90 days	31,974	59,536
Over 90 days	28,516	38,960
	<u>228,426</u>	<u>316,300</u>
Loss allowance	(7,409)	(4,151)
	<u>221,017</u>	<u>312,149</u>

## 10. RESTRICTED BANK DEPOSITS

Included in restricted bank deposits as at 31 March 2020 are RMB4,947,000 (equivalent to approximately HK\$5,505,000) pledged to bank for trade financing; and RMB5,770,000 (equivalent to approximately HK\$6,420,000) were related to certain bank accounts frozen by local courts in the PRC in relation to two legal actions lodged by certain contractors against the Group.

During the year, two construction contractors took legal actions against two subsidiaries of the Group. For the first case, the contractor is making a legal claim for the overdue contract cost of RMB3,825,000 (equivalent to approximately HK\$4,416,000), which the Group has been fully provided for. For the other case, the contractor is making a legal claim of RMB7,960,000 (equivalent to approximately HK\$8,858,000), of which the Group is negotiating with the contractor for an out-of-court settlement. Based on the advice of legal counsel, the possibility of an economic benefit outflow is remote, the directors consider the outcome is uncertain and cannot be reasonably estimated at this stage.

Restricted bank deposits as at 31 March 2019 were RMB4,276,000 (equivalent to approximately HK\$5,017,000) which can only be applied in the designated property development projects prior to the completion of construction.

## 11. ACCOUNTS AND BILLS PAYABLE

At 31 March 2020, the aging analysis of the accounts and bills payable based on invoice date are as follows:

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	129,286	268,120
31 – 60 days	39,807	112,284
61 – 90 days	46,050	147,826
Over 90 days	144,884	211,820
	<u>360,027</u>	<u>740,050</u>

## 12. BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
<i>Unsecured</i>		
Current portion	413,243	810,106
Non-current portion	263,566	–
	<u>676,809</u>	<u>810,106</u>

Bank borrowings mature until year 2023, and bear average interest at 3.6% (2019: 3.7%) per annum.

At 31 March 2020, based on the contractual repayment terms, the Group's bank borrowings maturity analysis would be as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 year or on demand	413,243	688,106
Between 1 and 2 years	177,634	102,000
Between 2 and 5 years	85,932	20,000
	<u>676,809</u>	<u>810,106</u>

## 12. BANK BORROWINGS (continued)

The following table summarises the maturity analysis of the bank borrowings which are subject to repayment on demand clause based on their original scheduled repayment dates:

	2020 HK\$'000	2019 HK\$'000
Within 1 year	27,500	315,926
Between 1 and 2 years	27,500	98,500
Between 2 and 5 years	37,500	137,000
	<u>92,500</u>	<u>551,426</u>

The Group's banking facilities are secured by the corporate guarantees given by the Company and certain subsidiaries of the Company. The carrying amounts of the Group's bank borrowings approximate their fair values. Except for a bank borrowing of RMB80,000,000 (2019: RMB80,000,000), equivalent to HK\$89,021,000 (2019: HK\$93,863,000), all other bank borrowings are denominated in Hong Kong Dollar.

As at 31 March 2020, the Group has uncommitted undrawn bank facilities amounting to HK\$27,757,000 (2019: HK\$56,377,000).

## 13. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION

During the year ended 31 March 2020, the Group entered into negotiation with a third party to dispose of the entire equity interest of 創建節能玻璃(韶關)有限公司 and 創建節能玻璃(貴州)有限公司 and its subsidiaries (collectively as the "Disposal Group"). The Disposal Group is the core operating subsidiaries of the glass technology and application segment. Negotiation process has already begun before the year-end and management considered the transaction is highly probable to be completed. As a result, the Disposal Group is classified as discontinued operation in accordance with HKFRS 5 and the comparative information relating to the discontinued operation has been re-presented on a consistent basis accordingly. The transaction was subsequently completed (Note 15).

Assets and liabilities of the Disposal Group were classified as "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale", respectively as at 31 March 2020.

**13. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION (continued)**

The financial performance and cash flow information of the Disposal Group for the year ended 31 March 2020 and the period from 14 August 2018 (date of acquisition) to 31 March 2019:

	2020 HK\$'000	Period from 14 August 2018 to 31 March 2019 HK\$'000
<b>Revenue</b>	<b>55,633</b>	82,817
Cost of sales	<u>(44,808)</u>	<u>(69,964)</u>
Gross profit	<b>10,825</b>	12,853
Other income and gains, net	<b>1,090</b>	1,473
Selling and distribution expenses	<b>(2,212)</b>	(3,370)
Administrative expenses	<b>(17,162)</b>	(15,859)
Impairment loss on contract assets and financial assets	<u><b>(1,341)</b></u>	<u>(322)</u>
<b>Loss before income tax</b>	<b>(8,800)</b>	(5,225)
Income tax credit	<u><b>528</b></u>	<u>418</u>
<b>Loss from discontinued operation</b>	<b>(8,272)</b>	(4,807)
Exchange translation reserve on translation of foreign operations	<u><b>(262)</b></u>	<u>(18)</u>
<b>Other comprehensive loss from discontinued operation</b>	<u><b>(8,534)</b></u>	<u>(4,825)</u>
Cash (used in)/generated from operating activities	<b>(2,826)</b>	1,107
Cash used in investing activities	<b>(1,952)</b>	(1,762)
Cash generated from financing activities	<b>5,324</b>	–
Exchange realignment	<u><b>(14)</b></u>	<u>17</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u><b>532</b></u>	<u>(638)</u>

**13. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION (continued)**

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 March 2020:

	2020 HK\$'000
<b>Assets classified as held for sale</b>	
Property, plant and equipment	31,403
Intangible assets	25,796
Inventories	7,498
Contract assets	25,633
Accounts receivable	25,764
Prepayments and deposits	15,464
Cash and cash equivalents	595
	<hr/>
<b>Total assets of disposal group held for sale</b>	<b>132,153</b>
	<hr/> <hr/>
<b>Liabilities directly associated with assets classified as held for sale</b>	
Accounts payable and other payables	90,901
Contract liabilities	924
Deferred tax liabilities	3,771
	<hr/>
<b>Total liabilities of disposal group held for sale</b>	<b>95,596</b>
	<hr/> <hr/>

In accordance with HKFRS 5, the assets classified as held for sale are measured at lower of their carrying amount immediately prior to being classified as held for sale and fair value less costs to sell. At the date of initial classification as held for sale, the carrying amount of the assets and liabilities relating to the Disposal Group were lower than the fair value less cost to sell as at that date. Accordingly, no loss was recognised due to remeasurement at the initial classification.

**14. DISPOSAL OF A PROPERTY AND A SUBSIDIARY WHICH IS PRINCIPALLY ENGAGED IN PROPERTY INVESTMENT**

On 21 January 2020, the Group entered into a memorandum agreement with Century Grand International Limited, a company wholly owned by Mr. Cheng Chor Kit, chairman of the Group, to dispose of a property in Hong Kong for a cash consideration amounted to HK\$19,750,000.

On the same day, the Group also entered into a sale and purchase agreement with Mr. Cheng to dispose of the entire interest in Unicon Investments Limited, an indirect wholly owned subsidiary of the Company, which is principally engaged in property investment, for a cash consideration amounted to HK\$39,500,000.

The transactions were completed on 31 March 2020, resulted in a gain on disposal of approximately HK\$16,842,000 and HK\$31,416,000, respectively.

**14. DISPOSAL OF A PROPERTY AND A SUBSIDIARY WHICH IS PRINCIPALLY ENGAGED IN PROPERTY INVESTMENT (continued)**

The following table summarises the consideration and the amounts of the identifiable assets and liabilities disposed of:

	<b>Disposal of a property HK\$'000</b>	<b>Disposal of a subsidiary HK\$'000</b>	<b>Total HK\$'000</b>
Cash consideration	19,750	39,500	59,250
Less: Assets and liabilities disposed of:			
– Property, plant and equipment	2,460	6,014	8,474
– Right-of-use assets	448	2,031	2,479
– Cash and cash equivalents	–	52	52
– Other net liabilities	–	(13)	(13)
Net asset value	2,908	8,084	10,992
Gain on disposal ( <i>Note 4</i> )	16,842	31,416	48,258

**15. SIGNIFICANT EVENTS AFTER REPORTING PERIOD**

**(a) Leased a property from a connected party**

Upon the completion of disposal of a subsidiary mentioned in Note 14, the Group has subsequently entered into a lease agreement with Unicon Investments Limited to lease back the property for a term of three years for an annual lease rental of HK\$1,498,000.

**(b) Disposed of glass technology and application operation**

On 20 April 2020, the Group entered into a sale and purchase agreement with a third party, to dispose of its entire equity interest in the Disposal Group, at a consideration of RMB34,500,000 (equivalent to approximately HK\$38,390,000), resulted in a gain of approximately HK\$2,101,000.

The transaction was subsequently completed. For details, please refer to the Company's announcement dated 21 April 2020.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

Kin Yat is one of the leading industrial enterprises primarily engaged in the development of niche and technology-driven production of quality electrical and electronic products. With over three decades of experience in the industry and strong research and development (“R&D”) capability, the Group has built up a wide portfolio of products in the areas of robotics, juvenile products, smart products and motor drive products. The Group’s non-manufacturing business scope includes the real estate development segment. At the beginning of 2020, the Group has established a health care product business line under its house brand, “Kin Yat Health” with an aim to diversify business portfolio with the support of existing core advanced production equipment and technological know-how.

## **CONSOLIDATED RESULTS**

In the financial year ended 31 March 2020 (the “Year”), the economies of key contributing markets of the Group, the United States of America (“U.S.”), Europe and the People’s Republic of China (“China” or the “PRC”), were inevitably impacted by the escalating Sino-US trade dispute and the Brexit. The downward revision to the global economic outlook continued to cast shadow over consumer sentiment since 2019. Although after a year of negotiations, the U.S. and the PRC signed the initial phrase of a trade deal as we entered into 2020, the global outbreak of the COVID-19 epidemic had brought another major shock to the economy that has just taken a breath. The epidemic prevention measures such as city lockdown, manufacturing plants suspension, flights suspension, temporary closure of retail stores, not only was like a punch to the PRC’s domestic manufacturing industry, but also posed disruption to global commodity supply chain and global consumer demand. Amidst these circumstances, customers inclined to postpone new projects and slow down orders. Being a part of upstream supply chain, the Group was, hence, inevitably influenced. This, together with the planned reduction in the production of the products for our major customer in the electrical and electronic products segment during the Year for a better balance of production schedule, leads to a decrease in the Group’s consolidated turnover for the Year on a year-to-year (“yoy”) basis by 24.8%, from approximately HK\$4,139,886,000 (restated) to approximately HK\$3,114,221,000.

The total turnover of the Group was accounted for by segmental external turnover of:

- Electrical and Electronic Products Business Segment: amounted to HK\$2,202,402,000, representing 70.7% of the Group's consolidated turnover for the Year (2019: HK\$3,166,417,000, 76.5% (restated));
- Motors Business Segment: amounted to HK\$836,745,000, representing 26.9% of the Group's consolidated turnover for the Year (2019: HK\$972,817,000, 23.5% (restated));
- Real Estate Development Business Segment: amounted to HK\$75,074,000, representing 2.4% of the Group's consolidated turnover for the Year (2019: Nil, 0%).
- Glass Technology and Application Segment: in April 2020, the Group entered into a sale and purchase agreement with an independent third party, and agreed to dispose of the entire interest in all the PRC subsidiaries engaging in glass technology and application business. The conditions precedent have been fulfilled and the transactions were considered as completed on 16 June 2020.

According to HKFRS 5, a disposal group is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use, and it is available for immediate sale in its present condition subject only to terms that are usual and customary for its sales, and the transaction has to be highly probable. As at the reporting date, management classified the glass technology and application business as discontinued operation and disposal group held for sale. For details, please refer to the section headed "Glass Technology and Application Segment" under "Operation Review" on page 29 of this announcement.

The Group's gross profit increased to HK\$333,341,000 during the Year from HK\$289,876,000 (restated) in the corresponding period last year. Gross profit margin increased by 3.7% yoy mainly attributable to the Group's sincere effort in internal cost control over raw materials and labour cost, as well as maintaining a good balance of production schedule throughout the Year, along with the mild depreciation in the Renminbi ("RMB") exchange rate against the U.S. dollars during the Year. Amidst a difficult operating environment, the Group had managed to increase its profit attributable to equity holders of the Company by 51.3% yoy from HK\$112,384,000 to HK\$170,049,000 for the Year. Basic earnings per share for the Year were HK38.74 cents (2019: HK25.61 cents (restated)), after the inclusion of the gain on disposal of the two properties in Hong Kong as announced by the Group in January 2020.

Regarding the Group's financial position, amidst a challenging trading environment, the Group had managed to and will endeavour to continue to improve its cash position. During the Year, the Group has successfully achieved better inventory management and reduced inventory by 51.5% to HK\$298,580,000 (2019: HK\$615,365,000). As at 31 March 2020, the Group's current ratio stood at 1.22 times (2019: 0.91 times). Such improved financial position and flexibility would be instrumental for the Group to prevail in the volatile global economy and pursue future opportunities.

## **OPERATIONAL REVIEW**

### **Manufacturing Businesses**

The Group operates three manufacturing business streams on three major production centres in the PRC, two of which are based in Songgang, Baoan District, Shenzhen City ("Shenzhen") and Shixing County, Shaoguan City ("Shixing"), Guangdong Province. The third production centre is located in Dushan County, Guizhou Province ("Dushan"). The Group's production base is supplemented by an additional facility in Johor Babru, Malaysia for the production of motor drives and motor drive-related products.

During the Year, the Shenzhen centre continued to be dedicated to high-value-added processes for robotics and smart products manufacturing, while Shixing centre was the major production base for motor drives and other electrical and electronic products. The Dushan centre housed motors production, glass technology and application business, and robotics sub-assembly business.

### ***Electrical and Electronic Products Business Segment***

This segment is engaged in the development, design and manufacture of three main product categories: (i) robotics, (ii) juvenile products, and (iii) smart products.

During the Year, due to a volatile external business environment, overall sentiment for consumer products weakened. The external turnover of this segment decreased by 30.4% to HK\$2,202,402,000 during the Year (2019: HK\$3,166,417,000). This segment remained a major contributor, accounting for 70.7% of the overall turnover of the Group, in the Year under review. In spite of the less satisfactory performance, profitability of this segment maintained in the first three quarters, thanks to the segment's genuine and continues efforts in maintaining proper cost control and optimisation of labour efficiency. The segment had proactively lowered the production of robotic vacuum cleaners ("RVC") for a better balance of production schedule given that the additional production capacity of the Group in Dushan centre has not yet been commissioned, which helped the segment to better utilise existing capacities and streamline manpower usage, and thus, alleviated the pressure on the segment profit. Segment profit increased by 74.3% to HK\$162,172,000 during the Year (2019: HK\$93,035,000).

Looking ahead, the segment will remain prudent and will adopt a more conservative approach in the short-run in order to control its risk exposure to the external instabilities. For the long-term development, the segment will continue to strategically realign its product mix and customer portfolio to enable more diversified yet selective business activities.

#### *Robotics sector*

This sector has established a long-lasting and strong foundation in niche home-use robotics manufacturing market successfully together with its long collaborated renowned global customer. However, as a result of the escalated Sino-US trade tension and associating tariffs, sector sales inevitably affected and order placement of RVC products became conservative.

In order to stay competitive, efforts were placed to rebalance the production schedule and improve production efficiency of existing production plants through optimisation on automation and further upgrade towards industry 4.0 during the Year so as to serve our major customer even better. As a result, a more balanced production planning and efficiency enhancement allowed the sector to seek for profit margin improvement in the longer term.

#### *Juvenile products and smart products sectors*

Juvenile products sector focuses on baby gears and juvenile education products, particularly targeting STEAM related electronic products and smart products sector focuses on electronic gadget which interrelate with computing devices like smartphone and tablet. Being an integrated one-stop personal consumer product solutions provider, the sectors are at an advantageous position to ride on its OEM+ services platform, together with its shrewd market acumen, outstanding technical know-how, extensive manufacturing experience and long-term partnership with the internationally renowned consumer of electronic products brands, to gain business opportunities with start-ups brands from more diversifying industries and grow with these potential rising stars.

Since the beginning of the COVID-19 epidemic in early 2020, some new projects in the sectors were put on hold and demand was adversely impacted due to worsening market sentiment. However, the sectors' diversified product portfolio mitigated the impact from these factors because some product lines benefited from the stay-at-home concept, particularly the baby gears and juvenile STEAM education products, and hence, the sales surged.

The segment continually made some good progress and further enriched the product and customers portfolio in both juvenile products and smart products sectors. During the Year, the sector has secured the business for the manufacture of two new educational robots and successfully became the sole supplier for the concerned products at this initial stage for a Taiwan-based multinational computer and phone hardware and electronics company.

Overall, the sectors will continue to develop new products to existing customers and explore new opportunities to enrich the existing customer portfolio to further diversify risks. With a strong commitment in providing differentiated services and reinforcing its competitive advantages, the sectors will continue to invest in its product design and engineering capabilities R&D. The sectors believe these products would become another rising stars and will stay devoted to uncovering more potential ones in the future ahead.

### ***Diversification of production solutions***

In view of the limitation of utilisation rate at the Shenzhen centre, the segment is driving higher operational efficiency through geographic diversification of manufacturing solution. However, due to a delay in the handover of the factory premises by the Dushan County government, the capacity expansion plan has been postponed. This in turn opened additional opportunities of expanding production base diversification to countries outside of the PRC, in particular, to Southeast Asian countries to tailor to customers' requests and in the longer run, to enhance the segment's profitability. Future strategies will remain conservative and selective with this segment for better risk assessment. To this end, the segment has been assessing the feasibility of establishing a presence in the Republic of the Union of Myanmar, and the process has inevitably been held up since early 2020 due to the COVID-19 pandemic.

### ***Motors Business Segment***

The motors segment is engaged in the development, design, manufacture and sale of electric motor drives and related products, ranging from direct-current ("DC") motors, alternating-current ("AC") motors to encoders and related products. Its product offerings have continued to evolve to capture market and technological trends, including the continued development of larger-sized motor drives and brushless DC motors. The segment's major facilities are currently located in Shixing centre and Dushan centre, supplemented by the production facility in Malaysia. Equipped with high-precision equipment and advanced technologies, this robust production and R&D platform enables the segment to roll out innovative and reliable deliverables for customers. The segment business has been categorised into four sectors for separate markets for motors, namely automobiles, office automation equipment, toys, and household appliance.

Affected by the Sino-US trade dispute and the pandemic outbreak, some projects were being delayed with some customers showing extra conservatism in placing orders. Hence, besides for toys sector, revenue from other three sectors decreased moderately, in particular, the automobiles sector recorded a significant decline in orders during the Year, as a result of the general economic downturn. Benefitted from the lockdown and stay-at-home order, there were noticeable increases in the demand of our motor products driven from online sales for certain items such as smart vacuum cleaner from February 2020. The segment also managed to resume production in a short notice after the Chinese New Year holiday as most of the employees were local citizens in the particular regions. The swift reaction has allowed the segment to capture the opportunities, gaining orders from peers through high-quality products delivered in a timely manner.

As a result of the aforementioned impacts, overall segment external turnover dropped by 14.0% to HK\$836,745,000 during the Year (2019: HK\$972,817,000). Gross profit margin was slightly improved as a result of the continuous enhancement of automation, the depreciation of RMB against the U.S. dollars, and the achievement of the progress of cost savings. However, primarily due to the decreased sales volume, the increased depreciation expenses and the decrease in government subsidies income recognised during the Year, segment profit margin was subsequently affected and recorded a decrease of 20.0% to HK\$45,410,000 (2019: HK\$56,793,000).

Moving ahead with the uncertain macro environment and development of the COVID-19, we observe that consumer confidence remains weak and most industries, particularly the automobile industry, are facing the harshest operating environment ever. Hence, the segment will adopt a prudent and cautious approach in implementing the following strategies on the segment:

(i) *Cost control and automation optimisation*

Due to the pandemic, the global economy is expected to contract, and the full impact has not yet been fully revealed. In order to stay competitive among peers, the segment will look for efficient cost control, instead of price increase, in order to seek margin protection. Expecting a chained effect from the economic downturn, the segment will also increase its automation level in order to lower unit cost and further enhance profitability.

(ii) *Diversification of production solutions*

As a measure to response to the Sino-US trade dispute, some of the segment's overseas customers also demanded a more agile and diversified production solutions. To cater for their needs, the segment has since taken action, exemplified by the production line relocation from the PRC to Malaysia for a Korean customer during the Year. As there could be an increasing demand in similar solutions, the segment will seek for other cost-effective production bases in Southeast Asia with a view to reduce the adverse impact of the Sino-US trade dispute, while further streamlining the cost structure by localising its supply chain and hiring labour from the domestic market. The production line relocation plan will implement in accordance with the principle of gradual and orderly progress, and its schedule will be reviewed and adjusted on a regular basis, in accordance with the changes in macroeconomy and the internal cash flows.

(iii) *Continuous R&D and customer diversification*

Over the past years, the segment has been advancing its R&D capability and developed various types of motor products. During the Year, the segment was able to advance the development of large size motor and brushless motor to the final stage, and trial production and sizable orders are expected in the upcoming year. Leverage the strong R&D capability, the segment will also continue to diversify its customer base into different sectors, exploring new revenue streams and minimising the potential risk of industry downturn from any particular industry.

### ***Glass Technology and Application Segment***

This segment is primarily engaged in the sale and downstream processing of glass including, but not limited to, thermal insulation glass, glass window modules, printed glass and marble glass products, as well as the design, manufacture and installation of curtain wall systems. The segment is largely focused on domestic sales in the PRC with a small amount of manufactured glass export sales. The segment operates through its sole facilities in Dushan centre.

As disclosed by the Group in the past, the segment continued to encounter difficulties in collecting receivables from certain government projects in Dushan County area. Upon the Company's strategic review of its investment in the segment in view of its less-than-expected contribution to the Group's turnover and profitability and the low working capital turnover rate that hindered the growth potential of the business, it is decided that the Group should no longer invest and realise any resources possible to be used to generate revenue and income from the other business segments of the Group. After the Year under review, on 20 April 2020, the Group entered into an agreement pursuant to which the Group agreed to dispose of all operating subsidiaries of the segment for a consideration of RMB34,500,000 (equivalent to approximately HK\$38,390,000) to Guizhou Lianwei Investment Company Limited. Due to the gain on disposal upon completion of this sale and purchase agreement, the net asset value of the Group has been improved by an amount of approximately HK\$2,101,000. The proceeds from the disposal will be used as general working capital of the Group and for its future business development.

### ***Newly Established House Brand***

With over 30 years of experience in the electrical and electronics products manufacturing industry, the Company has always sought to deliver high-quality and technology-driven production to customers. As the market became increasingly competitive with growing cost pressure, at the beginning of 2020, the Company had taken revolutionary steps to establish a health care product business line under its house brand, "Kin Yat Health" commencing the production and sale of adult and child disposal facial masks. With the Group's solid industrial foundation, the Group has utilised with existing core advanced production equipment, invested resources and manpower, new testing and production machinery and equipment.

In response to the COVID-19 epidemic and in view of the demand for the Group's internal employee use, the Group started to conceive a mask production plan in around February 2020 with the benefits of utilising appropriate existing production facilities. Up to the date of this announcement, the Group is able to offer a maximum production capacity of approximately 500,000 pieces of masks per day and has been able to offer EN14683 type 2R (non-sterile) and ASTM-F2100 Level 2 qualified (including but not limited to both BFE and PFE  $\geq$  98%) non-medical face masks for adults and teens under the "Kin Yat Health" brand. Our face masks are UV + Ozone disinfected and are available for sale at various online and offline sales points. In addition, the "CE marking" validation for our face mask products has also been obtained.

Going forward, in an effort to diversify risk raised by macroeconomy and geopolitical issues, the Group intends to allocate more available resources and production capabilities on newly established house brand - "Kin Yat Health" - to further develop the business line by enhancing its product portfolio to include, inter alia, various products for sterilisation and purification as medical products other than face masks.

## **Non-manufacturing Businesses**

### ***Real Estate Development Business Segment***

During the Year, this segment continued its engagement in the two residential and commercial property development projects in Dushan Economic Development Zone, namely *The Royale Cambridge Residences* and *The Jardin Montsouris*.

The segment was at a loss of HK\$1,574,000 during the Year (2019: a loss of HK\$402,000), as a result of the profit recognised with respect to *The Royale Cambridge Residences* project in the Year was not more than offset by the administrative expenses in relation to *The Jardin Montsouris* project which was at pre-sale stage.

#### ***(i) The Royale Cambridge Residences***

Since beginning of March 2020, the relevant final acceptance of construction was obtained and hence the turnover in relation to the pre-sale of the property units in the past and during the Year of HK\$75,074,000 was recognised as at 31 March 2020 (2019: Nil).

According to the statistics from Guizhou Provincial Statistics Bureau, the total sales of residential units in Guizhou Province was inevitably affected by the COVID-19 adversely. Sales momentum of the project in Dushan also slowed in general during the Year with appropriately 40 units sold up to the date of this announcement. Given a conservative allocation of resources into the Group's real estate development business, cashflow generated from the pre-sale of the project was partly ploughed back into the second real estate development business of the Group in Dushan, the Group has put on hold further development of the phase II of this project. Although the segment expects there could be a boost in the sales growth when the Guiyang-Nanning high-speed train station near the site of the project is fully operational years later, the segment has on the other hand been exploring the possibility for realising the project as a whole rather than selling the units to individual end-users.

(ii) *The Jardin Montsouris*

This resettlement project is located in a site opposite to our *The Royale Cambridge Residences* project. The project was developed with an aim of providing housing for residents in need of shanty town relocation owing to resettlement. However, there has been a delay in development and sales of the property unit mainly due to delay in the implementation of shanty town relocation policy during the Year.

Construction works of Phase I of this project are ongoing, in particular, the superstructure for No. 1 residential tower and No. 19 and No. 20 commercial blocks were fully completed, while the superstructure for the 32 storey-high No. 2 residential tower was completed up to the 18<sup>th</sup> floor. The No. 1 and No. 2 residential towers will be first offered to the market with a total saleable floor area for residential units of approximately 65,000 square metres. With the pre-sale of *The Jardin Montsouris* units started this Year, approximately 140 units were contracted to pre-sale to qualified residents who are affected by residential relocation or independent property buyers for a total approximately RMB60,000,000 up to the date of this announcement. Prepayment amounting to approximately RMB40,700,000 were received. The segment will continue to construct more units to cope with the resettlement demand in particular and plans to commence the selling of the commercial property units there.

The management remains cautiously confident that these real estate projects will make contribution to the cash flow and revenue stream of the Group in the long run. The Group considers the two existing projects on hand as one-off real estate development opportunities and does not expect in general to tender for other property development projects in other locations in the PRC.

## OUTLOOK

The outbreak of the COVID-19 epidemic since early 2020 has posed a tremendous challenge to the overall global economy and the Group's business operation, on top of the unsettled Sino-US trade dispute and aftermath of Brexit. In view of these circumstances, the Group will closely monitor the situation and react proactively to minimise the impact of the difficult times. Through implementing the following strategies, the Group strives to continue stabilise the traditional business segments by leveraging on its long-standing relationship with the international renowned brands and expertise in offering value-added product solutions to alleviate the external impact, while continues to maintain market competence and business sustainability by proactively exploration of new business opportunities and stringent cost control over operation.

The Group will continue to leverage its growing technical know-how and production capabilities in the pursuit of differentiating business into the B2C market. In early 2020, the Group has taken the first step in the establishment of the new retail house brand "Kin Yat Health" mask series and developed a basic network of online and offline sales channels. Riding on this foundation, in the mid-term, we are planning to build a new stream of healthcare products, including but not limited to protective clothing, protective equipment and disinfection products. In the long-term, we will further enrich our retail brand portfolio in other areas where synergies with our experience and production capabilities, with an aim to extend the Group's revenue streams and enhance profitability, while maintain the Group's competence in the market.

In addition to widening income sources, the Group is actively adhering to enhancing profitability through continuous automation upgrade, strengthening R&D capabilities and better internal control measures. The Group will take this opportunity to further streamline its business process in order to maintain the leanest cost structure possible, in preparation for the upcoming challenges and opportunities when the global condition recovers. Specifically, the Group will continue focus on stringent cost control measures over raw materials and labour cost. Also, the Group will remain selective and prudent on its investment and be open to opportunities in disposing of non-profiting assets to maintain stable cashflow when necessary.

Meanwhile, the Group is also actively seeking for production capacity expansion to locations with geographical proximity and better plant resources, with preference to Southeast Asian countries in order to reduce the potential impact of the Sino-US trade dispute or geopolitical policy changes, while further streamlining the cost structure by localising its supply chain and hiring labour from the domestic market.

The Group remains cautiously optimistic about its long-term development and prudent towards formulation and implementation of corporate strategies to create long-term value for stakeholders. Despite the year ahead will be filled with challenges, the Group will continue to stand on this principle and stay competitive in the ever-changing business environment.

## **DIVIDENDS**

In order for the Company to accumulate war chest to cope with the uncertainties in the future and to conserve cash in COVID-19 scenario, the Board has resolved not to declare any final dividend for the Year (2019: Nil).

## **FINANCIAL CONDITIONS, LIQUIDITY AND FINANCIAL RESOURCES**

The Group primarily used its internally generated cash flows and banking facilities to finance its operations and business development. The Group has always been executing a prudent and conservative strategy in its financial management. As at 31 March 2020, the Group had time deposits of HK\$14,641,000 (31 March 2019: HK\$13,754,000), cash and bank balances of HK\$256,606,000 (31 March 2019: HK\$227,170,000), and net current assets of HK\$283,068,000 (31 March 2019: net current liabilities HK\$192,183,000). As at 31 March 2020, shareholders' equity was HK\$1,225,920,000 (31 March 2019: HK\$1,205,512,000). Total consolidated banking facilities of the Group from all banks as at 31 March 2020 amounted to approximately HK\$832,479,000 (31 March 2019: HK\$917,563,000). As at 31 March 2020, total bank borrowings amounted to HK\$676,809,000 (31 March 2019: HK\$810,106,000).

As at 31 March 2020, the bank borrowings of the Group was repayable within one year amounted to HK\$413,243,000 (31 March 2019: HK\$810,106,000) and the remaining balance of HK\$263,566,000 (31 March 2019: Nil) was repayable within second to fifth years.

As at 31 March 2020, the current ratio of the Group (current assets divided by current liabilities) was maintained at 1.22 times (31 March 2019: 0.91 times) and the gearing ratio of the Group (total bank borrowings divided by total equity) was 55.2% (31 March 2019: 67.0%).

## **CAPITAL STRUCTURE**

As at 31 March 2020, the total issued share capital of the Company was HK\$43,896,000 (31 March 2019: HK\$43,896,000), comprising 438,960,000 (31 March 2019: 438,960,000) ordinary shares of HK\$0.10 each. There was no change in the share capital of the Company during the year.

## **CHARGE ON THE GROUP'S ASSETS**

There was no charge on the Group's assets as at 31 March 2020 (31 March 2019: Nil).

## **FOREIGN CURRENCY EXPOSURE**

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars and RMB or U.S. dollars. The Group does not have a foreign currency hedging policy on it. In order to manage and minimise the foreign exchange risk, the management shall from time to time review and monitor the foreign exchange exposure and will consider hedging the significant foreign currency exposure when appropriate and necessary.

## **INTEREST RATE RISK**

The Group's financial facilities are denominated in Hong Kong dollars and RMB and interests on bank borrowings are chargeable based on certain interest margin over the Hong Kong Interbank Offered Rate and the People's Bank of China lending rate which are therefore of floating rate in nature. The Group has not entered into any interest rate risk hedge to mitigate exposure to interest rate risk during the Year.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2020, the Group employed around 8,600 full-time employees, of which less than 110 of them were stationed in Hong Kong headquarters with the remaining working in the PRC and Malaysia.

The Board's remuneration committee of the Company made recommendation to the Board on the policy and structure of the Company for all remuneration of Directors, reviewed and determined the remuneration package of individual executive Director and senior management of the Company with reference to the Board's corporate goals and objectives, responsibilities and employment conditions elsewhere within the Group and in the market. The Group remunerates its employees largely in accordance with prevailing industry standards. In Hong Kong, the Group's employee benefits include staff retirement scheme, medical scheme and performance bonus. In the PRC and Malaysia, the Group provides its employee's staff welfare and allowances in accordance with the prevailing labour laws. The Group has also put in place a share option scheme to motivate and reward staff with outstanding performance. At the discretion of the Board, the Group's employees will be granted the options, of which the number of options granted is determined by individual performance and level of responsibilities.

## **MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS**

Save as disclosed under the section headed "Connected Transactions" below, during the Year, the Group was neither involved in any significant investment, nor in any material acquisition or disposal of any subsidiary.

## **CONNECTED TRANSACTIONS**

During the Year under review, certain related party transactions are connected transactions subject to the reporting, announcement, and/or independent shareholders' approval requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Details of the transactions were set out in the announcement and circular of the Company dated 21 January 2020 and 11 March 2020 respectively.

### **Connected Transactions**

On 21 January 2020, Kin Yat (HK) Holdings Limited ("KYHK"), an indirect wholly-owned subsidiary of the Company and Mr. Cheng Chor Kit ("Mr. Cheng"), the executive Director, the chairman of the Board, the chief executive officer and the controlling shareholder of the Company (as defined under Listing Rules), entered into the sale & purchase agreement (the "S&P Agreement"). Pursuant to the S&P Agreement, KYHK agreed to sell and Mr. Cheng agreed to acquire, by a cash consideration of HK\$39,500,000, the entire equity interest in Unicon Investments Limited ("Unicon"), an indirect wholly-owned subsidiary of the Company.

On the same date, Kin Yat Industrial Company Limited ("KYI"), an indirect wholly-owned subsidiary of the Company and Century Grand International Limited ("Century Grand"), a company wholly owned by Mr. Cheng, entered into a memorandum agreement (the "Memorandum Agreement"). Pursuant to the Memorandum Agreement, KYI agreed to sell and Century Grand agreed to acquire the property held by KYI for a cash consideration of HK\$19,750,000.

The above transaction, resulted in gain of HK\$48,258,000 calculated based on the carrying values of the land portion of the subject properties measured under cost model and in accordance with the requirement under HKFRS 16.

As the date of signing of the aforesaid agreements, Mr. Cheng was directly and indirectly interested in approximately 64.48% of then issued share capital of the Company as well as the executive Director, the chairman of the Board and the chief executive officer of the Company. Accordingly, Mr. Cheng is a connected person of the Company under Chapter 14A of the Listing Rules.

Such disposals had been subsequently approved by the independent shareholders of the Company at the special general meeting held on 30 March 2020.

### **Connected Transactions – leasing**

Upon completion of the aforesaid disposal of Unicon, it becomes an associate of a connected person of the Company and hence itself becomes a connected person of the Company. On 1 April 2020, KYI (as a lessee) entered into a lease agreement with Unicon (as a lessor) for a term of three years commencing from 1 April 2020 and ending on 31 March 2023. Pursuant to the lease agreement, KYHK agreed to lease back the subject property for an annual lease rental of HK\$1,498,000 (inclusive of government rent, rates and management fees).

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

## **DISCLOSURES PURSUANT TO R13.21 OF THE LISTING RULES**

In April 2015 and November 2017, the Company as a borrower, entered into a renewed and new term loan facility agreements of HK\$100,000,000 each with The Hongkong and Shanghai Banking Corporation Limited for a term of 60 months of each term loan facility respectively.

In July 2015 and November 2017, the Company as a borrower entered into term loan facility agreements of HK\$100,000,000 and HK\$150,000,000 with Hang Seng Bank Limited ("HSB") for a term of 36 months of each term loan respectively. In January 2019, HSB revised the abovesaid term loan facilities and entered into a renewed term loan facility agreement with the Company (the "Renewed Agreement") to substitute the original term loan agreements. Pursuant to the Renewed Agreement, the renewed term loans are for a period of 36 months and included term loans of HK\$45,000,000 to finance capital expenditure of the Company and of HK\$217,500,000 to refinance the outstanding balance of the loans previously granted.

In May 2018, an indirect wholly-owned subsidiary of the Company as a borrower, entered into a new term loan and trade-line facility agreement of total HK\$100,000,000 with Bank of China (Hong Kong) Limited for a term of 36 months and the purpose of the aforesaid term loan is used for financing capital expenditure.

In addition to general conditions, each of the term loan facility agreement imposes, inter alia, a condition that Mr. Cheng Chor Kit, the Director and the controlling shareholder (as defined under the Listing Rules) of the Company, and the discretionary trust set up by him for the benefit of his family (the trust agreement between Mr. Cheng Chor Kit and HSBC Trustee International Limited, the trustee of the trust, has terminated on 2 April 2019. For details, please refer to our 2019/2020 Interim Report); collectively shall beneficially or directly maintain a shareholding of not less than 50% of the issued share capital of the Company (the "Specific Performance Obligations"). A breach of the Specific Performance Obligations will constitute an event of default under the relevant facility letter. Upon the occurrence of such event, each of the loan shall become immediately due and repayable on demand.

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

Details of events after the reporting period had been disclosed in Note 15 to the consolidated financial statements of this announcement. Other than disclosed above, there is no significant event after the reporting period that should be notified to shareholders of the Company.

## **CORPORATE GOVERNANCE PRACTICES**

The Board regularly reviews the guidelines and latest development in corporate governance. In the opinion of the Board, the Company has complied with the code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules throughout the Year except for the deviation from provision A.2.1 of the CG Code. The Board has also reviewed the Corporate Governance Report (the “CG Report”) and is satisfied that it has been in full compliance with all the requirements stipulated in the CG Report in Appendix 14 of the Listing Rules.

### **Chairman and Chief Executive Officer**

Pursuant to provision A.2.1 of the CG Code, the roles of chairman and chief executive officer shall be separated and should not be performed by the same individual and the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The roles of the chairman and the chief executive officer of the Company are not separated and are performed by the same individual, Mr. Cheng Chor Kit. The balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals, with a highly independent element in the Board where the Board members meet regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

## **DIRECTORS’ AND RELEVANT EMPLOYEES’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as its own code on terms no less exacting than the required standard set out in the Model Code regarding securities transactions by the Directors.

Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the Year. All relevant employees of the Group who, because of their office in the Group, are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code.

## **REVIEW OF ANNUAL RESULTS**

The Audit Committee of the Board has reviewed the consolidated results (including the consolidated financial statements) of the Group for the Year.

## **REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Tuesday, 18 August 2020 to Friday, 21 August 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the annual general meeting of the Company to be held on Friday, 21 August 2020, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 17 August 2020.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

The results announcement is published on the website of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and is available on the Company's website at [www.kinyat.com.hk](http://www.kinyat.com.hk). An annual report for the Year will be dispatched to the Company's shareholders and available on the said websites in due course.

On behalf of the Board

**Cheng Chor Kit**

*Chairman and Chief Executive Officer*

Hong Kong, 29 June 2020

*As at the date of this announcement, the Board comprises nine Directors, of which five are executive Directors, namely Mr. CHENG Chor Kit, Mr. FUNG Wah Cheong, Vincent, Mr. LIU Tat Luen, Mr. CHENG Tsz To and Mr. CHENG Tsz Hang, and four independent non-executive Directors, namely Mr. WONG Chi Wai, Dr. SUN Kwai Yu, Vivian, Mr. CHENG Kwok Kin, Paul and Mr. CHEUNG Wang Ip.*