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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)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The Board of Directors (the “Board”) of Kin Yat Holdings Limited (“Kin Yat”, the “Company”) would like to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2020 (the “Period”), together with the comparative figures for the previous corresponding period and the relevant explanatory notes. The interim financial results have been reviewed by the Audit Committee of the Company but have not been reviewed by the auditors of the Company.

#### CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited for the six months ended 30 September	
	Notes	2020 HK\$'000	2019 HK\$'000 (Restated)
<b>Revenue</b>	3	<b>1,340,004</b>	1,861,015
Costs of sales		(1,153,938)	(1,684,621)
<b>Gross profit</b>		<b>186,066</b>	176,394
Other income and gains, net	3	49,484	37,825
Selling and distribution expenses		(27,177)	(27,434)
Administrative expenses		(96,679)	(88,973)
Impairment losses on financial assets		(7,300)	(106)
Finance costs, net	4	(2,655)	(9,742)
Share of losses of associates		(31)	(713)
<b>Profit before income tax</b>	5	<b>101,708</b>	87,251
Income tax expense	6	(10,848)	(7,054)
<b>Profit for the period from continuing operations</b>		<b>90,860</b>	80,197
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	14	(701)	(3,714)
<b>Profit for the period</b>		<b>90,159</b>	76,483
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company		90,378	78,377
Non-controlling interests		(219)	(1,894)
		<b>90,159</b>	76,483
<b>Profit/(loss) attributable to the equity holders of the Company arisen from:</b>			
Continuing operations		91,079	80,754
Discontinued operation		(701)	(2,377)
		<b>90,378</b>	78,377

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited for the six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000 (Restated)
<b>Profit for the period</b>	<u>90,159</u>	<u>76,483</u>
<b>Other comprehensive income/(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>24,922</u>	<u>(92,996)</u>
	<u>24,922</u>	<u>(92,996)</u>
<b>Other comprehensive income/(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>281</u>	<u>(331)</u>
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<u>25,203</u>	<u>(93,327)</u>
<b>Total comprehensive income/(loss) for the period</b>	<u><u>115,362</u></u>	<u><u>(16,844)</u></u>
<b>Total comprehensive income/(loss) for the period attributable to:</b>		
Equity holders of the Company	115,359	(14,706)
Non-controlling interests	<u>3</u>	<u>(2,138)</u>
	<u><u>115,362</u></u>	<u><u>(16,844)</u></u>

**Unaudited**  
**for the six months ended**  
**30 September**

<b>2020</b>	2019
<i>HK\$'000</i>	<i>HK\$'000</i>
	(Restated)

**Total comprehensive income/(loss) for  
the period attributable to equity holders of  
the Company arisen from:**

Continuing operations	116,060	(12,117)
Discontinued operation	(701)	(2,589)
	115,359	(14,706)
	115,359	(14,706)

**Earnings/(losses) per share attributable to  
equity holders of the Company**

Basic

Continuing operations	<b>HK20.75 Cents</b>	HK18.40 Cents
Discontinued operation	<b>HK(0.16) Cents</b>	HK(0.54) Cents

Total – included discontinued operation

<b>HK20.59 Cents</b>	HK17.86 Cents
<b>HK20.59 Cents</b>	HK17.86 Cents

Diluted

Continuing operations	<b>HK20.75 Cents</b>	HK18.40 Cents
Discontinued operation	<b>HK(0.16) Cents</b>	HK(0.54) Cents

Total – included discontinued operation

<b>HK20.59 Cents</b>	HK17.86 Cents
<b>HK20.59 Cents</b>	HK17.86 Cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		995,997	989,154
Investment properties		58,190	57,975
Right-of-use assets	9	29,206	26,243
Properties under development	10	38,692	42,534
Intangible assets		7,873	7,873
Investment in an associate		–	4,854
Financial assets at fair value through profit or loss		12,033	12,336
Prepayments and deposits	13	112,111	163,964
Deferred tax assets		18,405	20,886
		<hr/>	<hr/>
Total non-current assets		1,272,507	1,325,819
<b>Current assets</b>			
Properties under development	10	296,734	269,847
Completed properties held for sale	11	140,747	154,464
Inventories		290,864	298,580
Accounts and bills receivable	12	458,588	221,017
Prepayments and deposits	13	242,512	190,221
Financial assets at fair value through profit or loss		9,740	8,533
Tax recoverable		4,591	2,480
Time deposits		14,089	14,641
Restricted bank deposits		2,662	11,925
Cash and cash equivalents		308,686	244,681
		<hr/>	<hr/>
		1,769,213	1,416,389
Assets classified as held for sale	14	–	132,153
		<hr/>	<hr/>
Total current assets		1,769,213	1,548,542
		<hr/>	<hr/>
<b>Total assets</b>		<b>3,041,720</b>	<b>2,874,361</b>
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(continued)**

		<b>Unaudited</b> <b>30 September</b> <b>2020</b> <i>Notes</i> <b>HK\$'000</b>	<b>Audited</b> <b>31 March</b> <b>2020</b> <i>HK\$'000</i>
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Share capital		<b>43,896</b>	43,896
Reserves		<b>1,296,488</b>	1,182,024
		<b>1,340,384</b>	1,225,920
<b>Non-controlling interests</b>		<b>1,060</b>	162
		<b>1,341,444</b>	1,226,082
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income and other payable	15	<b>39,388</b>	83,371
Bank borrowings	16	<b>237,650</b>	263,566
Lease liabilities		<b>4,604</b>	2,150
Deferred tax liabilities		<b>34,023</b>	33,718
		<b>315,665</b>	382,805
<b>Current liabilities</b>			
Accounts and bills payable, other payables and provisions	15	<b>820,025</b>	624,131
Contract liabilities		<b>75,621</b>	68,092
Bank borrowings	16	<b>419,748</b>	413,243
Lease liabilities		<b>3,636</b>	1,850
Tax payable		<b>65,581</b>	62,562
		<b>1,384,611</b>	1,169,878
Liabilities directly associated with assets classified as held for sale	14	<b>–</b>	95,596
		<b>1,384,611</b>	1,265,474
<b>Total current liabilities</b>		<b>1,700,276</b>	1,648,279
		<b>3,041,720</b>	2,874,361

## NOTES

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 September 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

This condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2020, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies applied and methods of computation used in the preparation of this interim financial report are consistent with those used in the annual financial statements for the year ended 31 March 2020, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of the revised standards and amendments issued by the HKICPA.

The following new standards and amendments are mandatory for the financial year beginning on 1 April 2020.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 3 (Revised)	Definition of a Business
Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the above new standards and amendments did not have any significant impact on the preparation of these condensed consolidated interim financial information.

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The following new standards and amendments have been issued but are not effective for the financial year beginning on or after 1 April 2020 and have not been early adopted by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 1	Classification of liabilities as current or non-current
Amendment to HKAS 16	Proceeds before Intended Use
Amendment to HKAS 37	Cost of fulfilling a Contract
Amendments to Annual Improvement Project	Annual improvements 2018-2020 cycle (HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41)
HKFRS 17	Insurance Contracts

The Group will apply the above new standards and amendments when they become effective. The Group anticipates that the application of the above new standards and amendments to existing standards have no material impact on the results and the financial position of the Group.

## 2. SEGMENT INFORMATION

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.

During the Period, the Group completed the disposal of the glass technology and application segment. A gain on disposal amounting to HK\$1,621,000 was recognised as other income and gains, net (Note 14).

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 condensed consolidated financial statements.

Group financing (including finance costs and finance revenue) 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.

## 2. SEGMENT INFORMATION (continued)

### (a) Operating segments

The segment results of the Group for the Period and the six months ended 30 September 2019 (“1H FY2019”) are as follows:

#### 30 September 2020

	Continuing operations					Discontinued operation	
	Electrical and electronic products	Motors	Real estate development	Others	Eliminations	Sub-total	Glass technology and application
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	Consolidated HK\$ '000
Segment revenue:							
Revenue from external customers							
Timing of revenue recognition							
– At a point of time	834,214	505,790	–	–	–	1,340,004	2,461
– Over time	–	–	–	–	–	–	3,050
	<u>834,214</u>	<u>505,790</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,340,004</u>	<u>5,511</u>
Inter-segment sales	17,993	1,615	–	–	(19,608)	–	–
	<u>17,993</u>	<u>1,615</u>	<u>–</u>	<u>–</u>	<u>(19,608)</u>	<u>–</u>	<u>–</u>
Total	<u>852,207</u>	<u>507,405</u>	<u>–</u>	<u>–</u>	<u>(19,608)</u>	<u>1,340,004</u>	<u>5,511</u>
Other income and gains, net	21,824	21,759	2,820	1,621	–	48,024	46
	<u>21,824</u>	<u>21,759</u>	<u>2,820</u>	<u>1,621</u>	<u>–</u>	<u>48,024</u>	<u>46</u>
Segment results	<u>89,979</u>	<u>41,893</u>	<u>(21,224)</u>	<u>779</u>	<u>–</u>	<u>111,427</u>	<u>(739)</u>
Unallocated gains, net						1,460	1,460
Unallocated expenses						(8,493)	(8,493)
Finance costs, net						(2,655)	(2,655)
Share of losses from investment in an associate						(31)	(31)
Profit before income tax						101,708	100,969
Income tax (expense)/credit						(10,848)	38
Profit for the period						<u>90,860</u>	<u>90,159</u>



## 2. SEGMENT INFORMATION (continued)

### (a) Operating segments (continued)

30 September 2019

	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	1,397,142	463,770	–	103	–	1,861,015	27,698	–	1,888,713
– Over time	–	–	–	–	–	–	3,434	–	3,434
	<u>1,397,142</u>	<u>463,770</u>	<u>–</u>	<u>103</u>	<u>–</u>	<u>1,861,015</u>	<u>31,132</u>	<u>–</u>	<u>1,892,147</u>
Inter-segment sales	16,888	2,555	–	–	(19,443)	–	3,365	(3,365)	–
	<u>1,414,030</u>	<u>466,325</u>	<u>–</u>	<u>103</u>	<u>(19,443)</u>	<u>1,861,015</u>	<u>34,497</u>	<u>(3,365)</u>	<u>1,892,147</u>
Total	<u>1,414,030</u>	<u>466,325</u>	<u>–</u>	<u>103</u>	<u>(19,443)</u>	<u>1,861,015</u>	<u>34,497</u>	<u>(3,365)</u>	<u>1,892,147</u>
Other income and gains, net	16,040	22,440	86	–	–	38,566	622	–	39,188
	<u>16,040</u>	<u>22,440</u>	<u>86</u>	<u>–</u>	<u>–</u>	<u>38,566</u>	<u>622</u>	<u>–</u>	<u>39,188</u>
Segment results	78,342	31,662	(2,847)	(4,417)	–	102,740	(4,015)	–	98,725
	<u>78,342</u>	<u>31,662</u>	<u>(2,847)</u>	<u>(4,417)</u>	<u>–</u>	<u>102,740</u>	<u>(4,015)</u>	<u>–</u>	<u>98,725</u>
Unallocated gains, net						(741)			(741)
Unallocated expenses						(4,293)			(4,293)
Finance costs, net						(9,742)			(9,742)
Share of losses from investment in associates						(713)			(713)
Profit before income tax						87,251			83,236
Income tax (expense)/credit						(7,054)	301		(6,753)
Profit for the period						80,197			76,483
	<u>80,197</u>					<u>80,197</u>			<u>76,483</u>

### (b) Geographical information

	Unaudited for the six months ended 30 September								Consolidated	
	United States of America		Europe		Asia		Others			
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Segment revenue:										
Revenue from external customers										
– Continuing operations	605,254	1,051,787	201,556	303,571	533,194	504,519	–	1,138	1,340,004	1,861,015
– Discontinued operation	–	–	–	–	5,511	31,132	–	–	5,511	31,132
	<u>605,254</u>	<u>1,051,787</u>	<u>201,556</u>	<u>303,571</u>	<u>538,705</u>	<u>535,651</u>	<u>–</u>	<u>1,138</u>	<u>1,345,515</u>	<u>1,892,147</u>

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

### 3. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts but excluding intra-group transactions. An analysis of revenue, other income and gains, net is as follows:

	Unaudited for the six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
		(Restated)
<b>Revenue</b>		
Manufacture and sales of:		
Electrical and electronic products	834,214	1,397,142
Motors	505,790	463,770
Others	—	103
	<u>1,340,004</u>	<u>1,861,015</u>
<b>Other income and gains, net</b>		
Fair value gain/(loss) on financial assets at fair value		
through profit or loss, net	1,292	(12)
Fair value loss on investment properties	(661)	—
Loss on disposal of property, plant and equipment, net	(36)	(173)
Gain on disposal of equity interest in an associate	729	—
Gain on disposal of discontinued operations ( <i>Note 14</i> )	1,621	—
Gross rental income	222	621
Sales of scrap materials	9,001	4,969
Subsidy income ( <i>Note</i> )	31,225	27,468
Others	6,091	4,952
	<u>49,484</u>	<u>37,825</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 Period, subsidy income amounting to HK\$31,225,000 (1H FY2019: HK\$27,468,000) are recognised in profit or loss, including the recognition of deferred government subsidy income of HK\$17,371,000 (1H FY2019: HK\$19,271,000).

#### 4. FINANCE COSTS, NET

	Unaudited for the six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Interest expense on bank loans	2,953	10,332
Interest expense on lease liabilities	155	29
Bank interest income	(453)	(619)
	<u>2,655</u>	<u>9,742</u>

During the Period, interest of HK\$5,431,000 (1H FY2019: HK\$5,121,000) was capitalised under properties under development. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's borrowing during the Period of 2.7% (1H FY2019: 4.3%).

#### 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Unaudited for the six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000 (Restated)
Cost of inventories sold	847,430	1,312,617
Depreciation of property, plant and equipment	56,217	54,613
Depreciation of right-of-use-assets	2,087	1,584
Direct operating expenses (including repairs and maintenance) arising from rental earning investment properties	3	89
Legal and professional fee	4,896	3,244
Short-term lease expenses	723	1,461
Impairment of inventories	6,136	19,512
Impairment of completed properties held for sale	15,944	–
Impairment of properties under development	4,456	–
Write-off of property, plant and equipment	–	5,362
	<u>–</u>	<u>5,362</u>

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (1H FY2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates.

	<b>Unaudited</b>	
	<b>for the six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Restated)
Current – Hong Kong		
Charge for the period	<b>7,320</b>	1,050
Adjustment for current tax of prior years	<b>–</b>	353
Current – Elsewhere		
Charge for the period	<b>4,338</b>	4,220
Adjustment for current tax of prior years	<b>(4,307)</b>	(3,259)
Deferred tax	<b>3,497</b>	4,690
	<hr/>	<hr/>
Total tax charge for the period	<b>10,848</b>	7,054
	<hr/> <hr/>	<hr/> <hr/>

## 7. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2020 (1H FY2019: Nil).

## 8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

- profit for the Period attributable to equity holders of the Company of HK\$90,378,000 (1H FY2019: HK\$78,377,000),
- by the weighted average number of ordinary shares of 438,960,000 (1H FY2019: 438,960,000) in issue during the Period.

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

	<b>Unaudited for the six months ended 30 September</b>	
	<b>2020</b>	2019
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>438,960,000</b>	438,960,000
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the Period	—	—
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b><u>438,960,000</u></b>	<u>438,960,000</u>

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to equity holders of the Company of HK\$90,378,000 (1H FY2019: HK\$78,377,000) and 438,960,000 (1H FY2019: 438,960,000) ordinary shares, being the number of shares outstanding during the Period, adjusted for the effects of the dilutive potential ordinary shares outstanding during the Period.

### **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 period ended 30 September 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 Period.

## 9. RIGHT-OF-USE ASSETS

The recognised right-of-use assets relate to the following types of assets:

	Prepaid land lease payments <i>HK\$'000</i>	Leasehold land <i>HK\$'000</i>	Office and other properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 31 March 2020</b>	<b>22,169</b>	<b>210</b>	<b>3,864</b>	<b>26,243</b>
Inception of lease contracts	–	–	4,828	4,828
Depreciation	(313)	(4)	(1,770)	(2,087)
Exchange realignment	174	–	48	222
<b>At 30 September 2020</b>	<b>22,030</b>	<b>206</b>	<b>6,970</b>	<b>29,206</b>
At 1 April 2019	23,437	2,788	951	27,176
Inception of lease contracts	–	–	6,040	6,040
Depreciation	(631)	(99)	(3,041)	(3,771)
Disposal	–	(448)	–	(448)
Disposal of a subsidiary	–	(2,031)	–	(2,031)
Exchange realignment	(637)	–	(86)	(723)
At 31 March 2020	22,169	210	3,864	26,243

## 10. PROPERTIES UNDER DEVELOPMENT

	Unaudited 30 September 2020 <i>HK\$'000</i>	Audited 31 March 2020 <i>HK\$'000</i>
Movements in the properties under development are as follows:		
At beginning of the period/year	312,381	530,710
Additions	22,613	32,373
Impairment	(4,456)	–
Transferred to completed properties held for sale ( <i>Note 11</i> )	–	(228,385)
Exchange realignment	4,888	(22,317)
At end of the period/year	335,426	312,381
Current portion	(296,734)	(269,847)
Non-current portion	38,692	42,534

## 11. COMPLETED PROPERTIES HELD FOR SALE

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
At beginning of the period/year	154,464	–
Transferred from properties under development ( <i>Note 10</i> )	–	228,385
Impairment	(15,944)	–
Properties sold	–	(69,832)
Exchange realignment	2,227	(4,089)
	<u>140,747</u>	<u>154,464</u>
At end of the period/year	<u>140,747</u>	<u>154,464</u>

The completed properties held for sale are located in the People's Republic of China (the "PRC").

## 12. 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:

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
0 – 30 days	253,353	123,280
31 – 60 days	133,414	44,656
61 – 90 days	57,404	31,974
Over 90 days	29,140	28,516
	<u>473,311</u>	<u>228,426</u>
Loss allowance	(14,723)	(7,409)
	<u>458,588</u>	<u>221,017</u>

The increase in the accounts and bills receivable is owing to the seasonal factor where usually September (30 September 2019: HK\$382,412,000) is the high season and March (31 March 2019: HK\$312,149,000) is the low season.

### 13. PREPAYMENTS AND DEPOSITS

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Prepayment for property, plant and equipment	104,446	144,875
Prepaid construction costs ( <i>Note</i> )	97,569	107,850
VAT recoverables	43,850	45,006
Deposits and other receivables	104,123	42,222
Other prepayments	4,635	14,232
	<u>354,623</u>	354,185
Less: Current portion	<u>(242,512)</u>	(190,221)
Non-current portion	<u>112,111</u>	163,964

*Note:*

As at 30 September 2020, such prepaid construction costs include prepaid construction cost of approximately HK\$46,317,000 (31 March 2020: HK\$45,623,000) to a main contractor for the properties development project in Dushan Country, Guizhou Province, the PRC. The properties, upon completion, are for selling purpose and are expected to be completed within its operating cycle, therefore, it is classified as current assets.

### 14. DISCONTINUED OPERATIONS

#### (a) Description

On 20 April 2020, the Group entered into a sale and purchase agreement 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.

During the Period, the conditions precedent pursuant to the agreement has been completed. The Disposal Group is reclassified as discontinued operations in the period up to the date of disposal is set out below.

#### (b) Financial performance and cashflow information

The financial performance and cash flow information presented are for the period up to disposal date and the six months ended 30 September 2019.

	Unaudited Period up to disposal date HK\$'000	For the six months ended 30 September 2019 HK\$'000
<b>Revenue</b>	<b>5,511</b>	34,497
Cost of sales	<u>(5,549)</u>	(31,116)
Gross profit	(38)	3,381
Other income and gains, net	46	622
Selling and distribution expenses	(109)	(1,500)
Administrative expenses	<u>(638)</u>	(6,518)
<b>Loss before income tax</b>	<b>(739)</b>	(4,015)



**14. DISCONTINUED OPERATIONS (continued)**

**(b) Financial performance and cashflow information (continued)**

	<b>Unaudited</b>	For the six months ended
	<b>Period up to disposal date</b>	<b>30 September</b>
	<b>HK\$'000</b>	<b>2019</b>
		<b>HK\$'000</b>
Income tax credit	<u>38</u>	<u>301</u>
<b>Loss from discontinued operation</b>	<b>(701)</b>	<b>(3,714)</b>
Exchange translation reserve on translation of foreign operations	<u>281</u>	<u>(331)</u>
<b>Other comprehensive loss from discontinued operation</b>	<b>(420)</b>	<b>(4,045)</b>
Cash (used in)/generated from operating activities	<b>(156)</b>	1,318
Cash used in investing activities	–	(1,095)
Exchange realignment	<u>(128)</u>	<u>117</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(284)</b>	<b>340</b>

**(c) Gain on disposal of discontinued operations**

The gain on disposal are calculated as follows:

	<b>Unaudited</b>
	<b>30 September</b>
	<b>2020</b>
	<b>HK\$'000</b>
Consideration:	
Cash	<b>37,759</b>
Less:	
Property, plant and equipment	<b>(29,842)</b>
Construction in progress	<b>(740)</b>
Intangible assets	<b>(14,933)</b>
Goodwill	<b>(10,713)</b>
Inventories	<b>(7,069)</b>
Accounts receivable	<b>(53,744)</b>
Prepayments and deposits	<b>(14,951)</b>
Accounts payable	<b>18,348</b>
Accrued expenses	<b>1,991</b>
Other payables	<b>72,433</b>
Deferred tax liabilities	<b>3,733</b>
Cash and cash equivalents	<b>(311)</b>
Release of exchange reserve	<u><b>(340)</b></u>
<b>Gain on disposal of discontinued operations (Note 3)</b>	<b>1,621</b>

**14. DISCONTINUED OPERATIONS (continued)****(d) Assets and liabilities of Disposal Group classified held for sale**

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

	Audited 31 March 2020 <i>HK\$'000</i>
<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	<u>595</u>
<b>Total assets of disposal group held for sale</b>	<u><u>132,153</u></u>
<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	<u>3,771</u>
<b>Total liabilities of disposal group held for sale</b>	<u><u>95,596</u></u>

# 15. ACCOUNTS AND BILLS PAYABLE, OTHER PAYABLES AND PROVISIONS

An aging analysis of the accounts and bills payable as at the end of the reporting Period, based on the invoice date, and the balance of other payables and provisions are as follows:

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
0 – 30 days	200,185	129,286
31 – 60 days	157,765	39,807
61 – 90 days	97,153	46,050
Over 90 days	92,068	144,884
Accounts and bills payable ( <i>Note i</i> )	547,171	360,027
Accrued expenses	20,864	9,797
Other payables	36,650	52,639
Payable for construction work	67,981	67,350
Financial liabilities	672,666	489,813
Accrued employee benefit expenses	102,936	109,339
VAT and other tax payable	15,004	25,985
Deferred income ( <i>Note ii</i> )	68,807	82,365
Total trade and other payables	859,413	707,502
Less: Non-current portion of deferred income ( <i>Note ii</i> )	(39,388)	(50,545)
Less: Non-current other payables	–	(32,826)
Current portion	820,025	624,131

## 15. ACCOUNTS AND BILLS PAYABLE, OTHER PAYABLES AND PROVISIONS (continued)

Notes:

- (i) The accounts and bills payable and other payables are non-interest-bearing and are normally settled within credit terms of two months, extending up to three months.
- (ii) The balance mainly represented government grants received in respect of the subsidies from The People's Government of the Dushan County, Guizhou Province (the "Dushan County Government") for the Group's manufacturing company located in Dushan County ("Dushan"), Guizhou Province ("Guizhou"), the PRC. These grants are held as deferred income and recognised to the income statement on a systematic basis to match with the costs or the assets' useful lives that they are intended to compensate in accordance with the agreements with the Dushan County Government. During the Period, subsidies of HK\$14,079,000 (1H FY2019: HK\$15,150,000) had been recognised and included in subsidy income of "Other income and gains, net" in the condensed consolidated income statement.

## 16. BANK BORROWINGS

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
<i>Unsecured</i>		
Current portion	419,748	413,243
Non-current portion	237,650	263,566
	<u>657,398</u>	<u>676,809</u>

Bank borrowings mature until year 2023, and bear average interest at 2.7% (31 March 2020: 3.6%) per annum.

The Group's banking facilities are secured by corporate guarantees given by the Company and certain subsidiaries of the Company. The carrying amounts of the Group's bank borrowings approximate to their fair values. Except for bank borrowings of RMB130,000,000 (31 March 2020: RMB80,000,000), equivalent to HK\$146,859,000 (31 March 2020: HK\$89,021,000), all other bank borrowings are denominated in Hong Kong dollars.

## 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. Through nearly four 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-driven products that are tailored and swiftly responsive to macroeconomic changes. At the beginning of 2020, the Group has established its house brand production line, “Kin Yat Health” with an aim to diversify business portfolio with the support of existing core advanced production equipment and technological know-how.

## FINANCIAL REVIEW

During the Period under review, geopolitical tensions and the resulting trade disputes amongst certain major countries in the world brought about a challenging and ever-changing business environment to the world. Economies of key contributing markets of the Group, such as the United States of America (the “U.S.”), Europe and the PRC, were, therefore, continuously influenced. The said geopolitical tensions, together with the outbreak of the coronavirus disease COVID-19 (the “COVID-19 pandemic”) worldwide since early 2020 that forced the governments of the U.S., Europe and the PRC to take emergency public health measures to contain the spread of the outbreak by imposing travel restrictions, have led to a widespread economic recession and dampened consumer sentiment. Operating environment for the Group continued to be in a hotspot and the Group has been inevitably impacted. Despite the said macro operating environment, the current product portfolio of the Group’s all two manufacturing business segments with special emphasis on juvenile products and certain appliances has enabled the Group to rather benefit, to a great extent, from the increase in orders for products including baby care products, home use printers and household cleaning appliances as a result of the changes in the product demand dynamics triggered by the COVID-19 pandemic. However, the Group’s turnover during the Period recorded a year-on-year (“YoY”) decrease of 28.0%, from approximately HK\$1,861,015,000 to approximately HK\$1,340,004,000, as the increase in turnover for the said products in higher demand during the COVID-19 pandemic was more than offset by the impact on the turnover caused by the planned reduction in orders from our major customer on a YoY basis and the order postponement or reduction from other customers amidst the COVID-19 pandemic.

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

- Electrical and Electronic Products Business Segment: HK\$834,214,000, representing 62.3% of the Group’s consolidated turnover for the Period (1H FY2019: HK\$1,397,142,000, 75.1%).
- Motors Business Segment: HK\$505,790,000, contributing 37.7% of the Group’s consolidated turnover for the Period (1H FY2019: HK\$463,770,000, 24.9%).

- Real Estate Development Business Segment: Nil, representing 0% of the Group's consolidated turnover for the Period (1H FY2019: Nil, 0%).

In light of the extreme business environment, the Group remains steadfast in optimising management flow and strengthening its production layout for a sustainable growth. The Group was also proactive in implementing a series of responsive measures, including the Group's sincere efforts in managing raw material costs and labour costs, maintaining a good balance of production schedule, as well as continuing to enhance customer and product diversity with an aim to reach a more balanced customer base and product mix portfolio during the Period. The said efforts and measures have proved themselves to be on the right track to a better performance. The Group's overall gross profit increased from HK\$176,394,000 of the corresponding period in 2019 to HK\$186,066,000 of the Period, together with a gross profit margin improvement from 9.5% to 13.9%. The Group's profit attributable to equity holders of the Company increased by 15.3% YoY from HK\$78,377,000 to HK\$90,378,000, mainly attributed to the Group's unwavering dedication in slimming down overall expenses and enhanced product mix.

## **OPERATIONAL REVIEW**

### **Manufacturing Businesses**

The Group operates two manufacturing business streams on three major production centres in the PRC. Two of such centres are located in Guangdong Province, namely in Songgang, Baoan District, Shenzhen City ("Shenzhen") and Shixing County, Shaoguan City ("Shixing") respectively. The third production centre is located in Dushan. The Group's production bases are also supplemented by an additional facility in Malaysia under the Motor Business Segment.

During the Period, the Shenzhen centre continues to be dedicated to high-value-added processes for robotics and smart products manufacturing, while the Shixing centre is the major production base for motor drives and other electrical and electronic products. The Dushan centre currently houses motors production, and sub-assembly business for our Electrical and Electronic Products Business Segment.

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

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

This segment's production centres in the PRC resumed operation in February 2020, enabling the segment to respond proactively to the challenges while to capture the opportunities arising from the COVID-19 pandemic in a more advantageous position and maintain a stable operation of its overall business. As such, the segment succeeded in seizing the opportunity to enjoy and benefit from the significant increase in the orders, on a YoY basis, for juvenile products and baby care products in this segment. However, the positive impact on the turnover from the said increase in orders was more than offset by the planned reduction in orders from the leading major customer and the order postponement or reduction from other customers amidst the COVID-19 pandemic. As a result, external turnover of this segment decreased by 40.3% to HK\$834,214,000 during the Period (1H FY2019: HK\$1,397,142,000). This segment remained a major contributor to the turnover of the Group, accounting for 62.3% thereof.

In spite of the decreased turnover, profitability of this segment increased through genuine and endless commitment in shifting to a higher margin product portfolio, proper costs control and optimisation of labour efficiency. The segment had better balanced the production schedule since last year, and such reshuffle of product portfolio helped the segment better utilise existing production capacities and streamline manpower usage, and thus, alleviated the pressure to the segment profit. As a result, the segment profit increased by 14.9% to HK\$89,979,000 during the Period (1H FY2019: HK\$78,342,000).

#### *Robotics sector*

The sector has successfully established a long lasting and strong foundation in niche home-use robotics manufacturing together with its U.S. based market leading major customer with whom the sector has a long-term collaboration. However, as the Sino-U.S. trade tension escalated and continued to develop, it is seen that the application of U.S. tariffs may have caused downward pricing pressures on its orders, which, together with the escalating operating costs in the PRC, particularly the labour costs, have resulted in declining profitability. In an effort to stay competitive or to mitigate the impact, 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 Period. As a result, a more balanced production planning and efficiency enhancement allowed the sector to seek for profit margin improvement in the longer term.

Nevertheless, orders from the leading major customer for the Period were planned to be reduced, while business volume of the sector is likely to continue to become more conservative in view of the diminishing potential for cost improvement in the future for particular products.

### *Juvenile products and smart products sectors*

Juvenile products sector focuses on products for baby gears and juvenile education products, particularly targeting STEAM related smart products sectors focuses on electronic products who interrelate computing devices like smartphone and tablet. The sectors are at an advantageous position to enjoy the Group's full-ranged OEM+ services platform to gain business opportunities with start-ups brands from more diversifying industries and grow with these potential rising stars.

With the shadow of COVID-19 pandemic, development timeline on some new projects were slightly delayed and demand of certain existing product lines were inevitably impacted due to worsen market sentiment during the Period under review. 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, their sales contributed to the growth of the sector. As the demand for our customers' products surged, the sector continued to benefit from the new product generations from existing clients, as well endeavoured to establish a good mix of new clients.

Overall, the segment will continue to develop new products to existing clients and explore new opportunities to enrich the existing client 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 engineering capabilities R&D. The Group believes these products would become rising stars and will stay devoted to uncovering more potential ones in the future ahead.

In the face of exogenous shocks in the segment's business environment provoked mainly by geopolitics, the pandemics and the ever-changing operating environment in the PRC, the segment ought to spark strategies to diversify clientele and production centre and to shift the product mix towards higher margin products. The segment has been in the past few years prudently planning its domestic and overseas production layout, particularly progressing to set up a new facility in the Republic of the Union of Myanmar ("Myanmar"). Simultaneously, the segment will continue to utilise its existing network, extensive industry experience and long-term partnership with internationally renowned consumer electronic products brands, to further diversify and expand its customer base to achieve a sustainable growth. The segment will continue to strategically realign its product mix and client portfolio towards less cyclical industries to enable a more diversified yet selective business activities.



### *Newly Established House Brand for Medical and Health Care Products*

Since the beginning of 2020, the Group 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 in response to the COVID-19 pandemic. Up to the date of this announcement, this business 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 IIR 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.

Through the opportunity of COVID-19 pandemic, the business has successfully developed various distribution channels in Hong Kong, including both online channels (for examples, HKTV Mall and Big Big Shop) as well as offline points of sales (including but no limited to YATA Supermarket). Being able to connect to these distribution network has laid a good foundation for future house brand development, the Group will continue to dedicate more resources to develop this business in an orderly fashion.

Face mask production was merely a first step as the Group’s strategic planning to tap into the health care products sector. In November 2020, a subsidiary company of the Group has successfully been granted the Medical Device Registration Certificate from the Guangdong Medical Products Administration of the PRC, this has opened a gateway for the Group to expand its sales channels and customer base in the medical and health care sections, which, hence, lays a foundation for future development of medical and health care products.

To support the sustainable development of the segment’s business in the long-run, the segment will prudently place more available resources and production capabilities terms of product and distribution channel for its medical and health care products, to further diversify risk raised by macro economy and geopolitical issues.

### **Motors Business Segment**

The motors segment focuses on the development, design, manufacturing and sales 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 the Shixing centre and the 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 of motors, namely automobile, office automation equipment, toy, and household appliance. All major sectors have achieved general growth trend in monthly turnover since the beginning of the Period.

The unprecedented COVID-19 pandemic has not only adversely affected the global economies particularly in terms of the consumer confidence and sentiment, but also been reshaping the landscape of various industries in terms of the risk profile assessment on players in terms of reliability, sustainability, financial worthiness and other aspects. On the supply side, some smaller-scale motor manufacturers in the PRC may have fallen out of favour with major customers. This has offered us golden opportunity to expand our business and increase clientele during this period of consolidation by leveraging our reliable quality products and strong manufacturing capability with diversified or multiple manufacturing centres. This proves our strong belief that given our relatively low market share currently in this enormous market the segment has tremendous potential to further increase our market share.

Although the pandemic has undermined the customer confidence and sentiment in general, it imposed significant impact on buying patterns and consumer demand contributing to higher demand for consumer products including but not limited to home use printers and household cleaning appliances as a consequence of unique policies such as “work from home” measures implemented to contain the pandemic. With a diversified customer base together with effective measures taken by our facilities protect workers from COVID-19, the segment is able to seize the opportunity and benefit from these changes in market dynamics resulting in growth in turnover as a whole.

Notwithstanding the challenging operating environment during the Period, the segment managed to continue to achieve revenue growth and net profit growth for the Period. Segment external turnover increased by 9.1% to HK\$ 505,790,000 (1H FY2019: HK\$463,770,000). Gross profit margin also improved during the Period YoY mainly attributed to the increased operating scale and continuous effort in automation, which resulted in a better productivity. Segment profit was HK\$41,893,000, representing a 32.3% YoY increase (1H FY2019: HK\$31,662,000).

Looking forward, the segment will continue to actively expand its business through implementing the following strategies.

(i) *Geographical and industry diversification of customers*

During the Period, the segment's diversification strategy has brought satisfactory results, successfully mitigating operational risk and fluctuation in financial performance during the economic downturn. Going forward, the segment seeks a stronger presence in the sector through its offerings of brushless motors can offer a longer lifespan, quieter movement, fewer friction losses and thus higher efficiency. Looking forward, the segment will continue its diversification strategy and look for customer expansion in terms of regions and sectors.

(ii) *Diversification of production solutions*

Affected by the pandemic and the Sino-U.S. trade disputes, there will be a notable reshaping of global supply chains over the years, and customers have to reallocate their orders to factories across the world in order to have the right quantity and quality at the right time. This has highlighted the importance of diversified manufacturing solutions. Last year, the segment has already moved one production lines to Malaysia in order to cater the demand of certain overseas customers. Looking ahead, the segment will accelerate its progress to set up new production facility in Myanmar to benefit the segment in the long run.

(iii) *Continuous automation and internal management improvement*

To support the sustainable development and growth of the segment's business, the segment will continue to improve its overall efficiency and productivity in order to maximise capital reserves and liquidity for future plans. Through continuous automation, the segment is gradually enjoying the results of a lean cost structure, and that will need to be continued in order to maintain a stringent cost control.

## **Non-manufacturing Businesses**

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

During the Period under review, the segment continued its engagement in the two residential and commercial property development projects in Dushan Economic Development Zone, namely the first project entitled *The Royale Cambridge Residences* and the second project entitled *The Jardin Montsouris*.

The segment results were a loss of HK\$21,224,000 during the Period (1H FY2019: a loss of HK\$2,847,000), mainly attributable to the one-off impairment loss from changes in fair value of *The Royale Cambridge Residences* of HK\$20,400,000 while the contracted sales of *The Jardin Montsouris* were not able to be recognised as revenue during the Period as the final acceptance certificates for such project were not obtained yet.

### *The Royale Cambridge Residences*

Since the beginning of March 2020, the relevant final acceptance certificates for the project were obtained and hence, the contracted sales of the property units in the past and during the Period of HK\$75,074,000 was recognised as turnover commencing the financial year ended 31 March 2020 (1H FY2019: Nil).

Sales momentum was inevitably adversely affected by the COVID-19 pandemic during the Period where restricted movement and social isolation measures were imposed while consumer confidence was dampened, as a result, the segment was not able to close any sales of property units of the project during the Period. The segment has continued to hold further construction of phase II of the project to minimise financial investment and exposure.

Although the segment has seen slow recovering on demand for mass of residential properties in Dushan, the segment expects that the major boost to the sales of the property units of the project, could be the commissioning of the Guiyang-Nanning high-speed train services years later. While we are confident of the long-term potential of our relatively low-end property development project, the segment has been striving to explore the possibility for realising the remaining property units of the project as a whole, being residential units and commercial properties with a total saleable area of approximately 22,000 square metres and approximately 5,000 square metres respectively, rather than selling the units to individual end-users.

### *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 with resettlement needs as affected by the shabby town relocation arrangement. The segment is engaged in the phase I development of the project, comprising two 32-storey high twin tower residential buildings with a total saleable floor area of approximately 66,000 square metres and two commercial blocks with a total saleable floor area of approximately 6,000 square metres.

Against the backdrop of slower-than-expected sales of residential units of the project caused by some delay in the implementation of the residential relocation scheme and the COVID-19 pandemic situation, construction works of phase I of this project are ongoing, by and large, according to the established plan, during the Period. In particular, the auxiliary structural construction for No. 1 residential tower and No. 19 and No. 20 commercial blocks were largely completed and the superstructure together with the auxiliary structural construction for No. 2 residential tower have been progressing, paving the way for main structure acceptance.

Up to the date of this announcement, approximately 170 units were contracted to sell for a total approximately RMB78,000,000 while prepayment amounting to approximately RMB67,000,000 were received. In light of the current pandemic and the macroeconomic situation in Dushan, development of the project is expected to experience some delay inevitably and the management will work with the relevant parties to mitigate the impact. Nevertheless, given that all 460 residential units of phase I of the project were accepted by the relevant authorities as the targeted resettlement residential units for residents who are affected by residential relocation, the management remains cautiously confidence that all residential units of the projects will be sold in the coming future to contribute to the revenue of the Group in the long run.

The Group maintains the intent to consider the two existing projects on hand as one-off real estate development opportunities and not to tender for other property development projects in other locations in the PRC.

## **OUTLOOK**

As the uncertainties from the COVID-19 pandemic remain, the Group will continue to adopt prudent measures in its operation while cautiously planning for the long run.

Since the outbreak of the Sino-U.S. trade war, Kin Yat has been actively planning to diversify its manufacturing solutions in order to cater for the demand of overseas customers. The pandemic has reaffirmed such stance, as it could effectively reduce the Group's operational risk and improve direct margin. Although the plan has been slowdown due to the travel restriction between countries, the Group is looking to speeding up the progress once the situation improves.

In addition, Kin Yat will continue to diversity its customer portfolio to reduce its concentration risk, particularly to develop clientele in some other countries and high-potential markets outside of the Sino-U.S. trade disputes. Besides, as smaller-scaled manufacturers exit the market due to the financial pressure from the pandemic, this has also brought market consolidation opportunities, in which Kin Yat will leverage its reputation in the OEM industry and take mindful steps to increase its market shares.

Regardless of the macroenvironment, Kin Yat will stay competitive in the market by continuously enhancing its R&D capabilities and product quality. The Group is well aware that it is vital and important to maintain a strong financial position during this extreme operating environment, to this end, the Group will take appropriate measures, including, but not limited to, continuation to adopt a stringent cost control policy and realisation of assets. Looking ahead, the Group will remain prudent and act cautiously in accordance with the aforesaid strategies, delivering long-term values to its stakeholders and shareholders under such challenging environment.

## **LIQUIDITY AND FINANCIAL POSITION**

The Group primarily used its internally generated cash flow 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 30 September 2020, the Group had time deposits of HK\$14,089,000 (31 March 2020: HK\$14,641,000), cash and bank balances of HK\$311,348,000 (31 March 2020: HK\$256,606,000), and net current assets of HK\$384,602,000 (31 March 2020: net current assets HK\$283,068,000). As at 30 September 2020, shareholders' equity was HK\$1,340,384,000 (31 March 2020: HK\$1,225,920,000). Total consolidated banking facilities of the Group from all banks as at 30 September 2020 amounted to approximately HK\$890,825,000 (31 March 2020: HK\$832,479,000). As at 30 September 2020, total bank borrowings amounted to HK\$657,398,000 (31 March 2020: HK\$676,809,000).

As at 30 September 2020, the current ratio of the Group (current assets divided by current liabilities) was maintained at a healthy position at 1.28 times (31 March 2020: 1.22 times) and the gearing ratio of the Group (total bank borrowings divided by total equity) was 49.0% (31 March 2020: 55.2%). Based on the above, the Group continued to enjoy a healthy financial position with sufficient financial resources to support its future development.

## **CAPITAL STRUCTURE**

As at 30 September 2020, the total issued share capital of the Company was HK\$43,896,000 (31 March 2020: HK\$43,896,000), comprising 438,960,000 (31 March 2020: 438,960,000) ordinary shares of HK\$0.10 each.

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

There was no charge on the Group's assets as at 30 September 2020 (31 March 2020: 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.

## **MATERIAL ACQUISITIONS AND DISPOSAL**

On 20 April 2020, the Group entered into a disposal agreement with an independent third party, to dispose of its entire equity interest in its certain subsidiaries of glass segment, at a consideration of RMB34,500,000 (equivalent to approximately HK\$37,759,000). Details of the transaction was set out in the announcements of the Company dated 21 April 2020 and 24 April 2020.

Apart from disclosed above, during the Period, the Group was neither involved in any significant investment, nor any material acquisitions or disposals of any subsidiaries.



## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2020, the Group employed over 8,500 full-time employees, of which less than 110 were stationed in Hong Kong headquarters with the remaining working in the PRC and Malaysia.

The remuneration committee of the Company made recommendation to the Board on the policy and structure of the Company for all remuneration of Directors, and 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 staff welfare and allowances in accordance with 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.

## **DIVIDEND**

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 interim dividend for the six months ended 30 September 2020 (1H FY2019: Nil).

## **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 Period.

## **DISCLOSURES PURSUANT TO RULE 13.21 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 (“Mr. Cheng”), the Director and the controlling shareholder (as defined under the Rules of Governing the Listing of Securities on the Stock Exchange (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 and HSBC Trustee International Limited, the trustee of the aforesaid trust, has terminated on 2 April 2019) 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.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintain a high standard of corporate governance which is crucial to the long-term development of the Group and to safeguard the interests of the Company’s shareholders. In the opinion of the Board, the Company has complied with all code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules throughout the Period, except for the following deviation:

Under the code provision A.2.1 of the CG Code, the roles of the 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 high 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 of 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 the Directors’ dealings in the securities of the Company.



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 six months ended 30 September 2020. The relevant employees who, because of their office in the Group, are likely to be in possession of unpublished inside information have been requested to comply with the provisions of the Model Code.

### **AUDIT COMMITTEE**

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial information for the six months ended 30 September 2020.

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

This interim results announcement is available for viewing on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and that of the Company at [www.kinyat.com.hk](http://www.kinyat.com.hk). The interim report of the Company for the six months ended 30 September 2020 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and made available on the above websites in due course.

By order of the Board  
**Cheng Chor Kit**  
*Chairman and Chief Executive Officer*

Hong Kong, 27 November 2020

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