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 2022

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 2022 (the "Period" or "1H FY2023"), 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 auditor of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited for the six months ended 30 September	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**697,224**	1,364,779
Costs of sales		**(608,776)**	(1,196,121)
Gross profit		**88,448**	168,658
Other income and gains, net	3	**11,722**	43,230
Selling and distribution expenses		**(21,716)**	(37,797)
Administrative expenses		**(46,493)**	(79,768)
Impairment of properties under development and completed properties held for sale		**(187,919)**	–
Reversal of impairment losses/(impairment losses) on financial assets		**5,392**	(2,000)
Finance costs, net	4	**(4,164)**	(4,770)
(Loss)/profit before income tax	5	**(154,730)**	87,553
Income tax expense	6	**(877)**	(11,279)
(Loss)/profit for the period attributable to equity holders of the Company		**(155,607)**	76,274
(Loss)/earnings per share attributable to equity holders of the company			
Basic and diluted	8	**HK(35.45) cents**	HK17.38 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited for the six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(155,607)**	76,274
Other comprehensive (loss)/income:		
Item that may be reclassified to the income statement:		
Exchange translation reserve on translation of foreign operations	**(132,874)**	6,408
Other comprehensive (loss)/income not to be reclassified to the income statement in subsequent period:		
Deficit on revaluation of land and buildings	**(48,073)**	–
Deferred tax credit to asset revaluation reserve	**10,144**	–
	(37,929)	–
Other comprehensive (loss)/income for the period, net of tax	**(170,803)**	6,408
Total comprehensive (loss)/income for the period	**(326,410)**	82,682

Note:

During the six months ended 30 September 2022, provision of HK$175,695,000 and HK$12,224,000 were recognised in the condensed consolidated income statement to write down the properties under development and completed properties held for sale to their net realisable value, respectively. Revaluation deficits of HK$48,073,000 on revaluation of land and buildings were debited to the asset revaluation reserve.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited 30 September 2022** ***HK$'000***	Audited 31 March 2022 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**830,308**	983,239
Investment properties		**59,074**	65,280
Right-of-use assets	*9*	**29,872**	34,652
Properties under development	*10*	**39,014**	42,217
Intangible assets		**10,857**	10,857
Financial assets at fair value through profit or loss		**12,822**	12,684
Prepayments and deposits	*13*	**93,513**	85,843
Deferred tax assets		**5,690**	5,745
Total non-current assets		**1,081,150**	1,240,517
Current assets			
Properties under development	*10*	**238,635**	411,898
Completed properties held for sale	*11*	**119,386**	143,954
Inventories		**213,636**	286,886
Accounts and bills receivable	*12*	**253,585**	289,319
Prepayments, deposits and other receivables	*13*	**192,276**	236,397
Financial assets at fair value through profit or loss		**12,814**	14,508
Tax recoverable		**8,993**	11,339
Pledged deposits		**11,391**	12,326
Time deposits		**13,360**	13,355
Restricted bank deposits		**613**	650
Cash and cash equivalents		**265,022**	256,934
Total current assets		**1,329,711**	1,677,566
Total assets		**2,410,861**	2,918,083

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	**Unaudited 30 September 2022** *HK$'000*	Audited 31 March 2022 *HK$'000*
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**43,896**	43,896
Reserves		**1,219,604**	1,546,014
Total equity		**1,263,500**	1,589,910
LIABILITIES			
Non-current liabilities			
Deferred income and other payables	*14*	**17,050**	17,515
Bank borrowings	*15*	**102,544**	111,800
Lease liabilities		**4,660**	6,941
Deferred tax liabilities		**28,459**	40,075
Total non-current liabilities		**152,713**	176,331
Current liabilities			
Accounts and bills payable, other payables and provisions	*14*	**377,228**	478,742
Contract liabilities		**161,578**	180,761
Bank borrowings	*15*	**386,851**	417,347
Lease liabilities		**4,764**	5,979
Tax payable		**64,227**	69,013
Total current liabilities		**994,648**	1,151,842
Total liabilities		**1,147,361**	1,328,173
Total equity and liabilities		**2,410,861**	2,918,083

NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 September 2022 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 2022, 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 2022, 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 amendments to standards are mandatory for the financial year beginning on 1 April 2022.

Amendments to Hong Kong Accounting Standards ("HKAS") 16	Proceeds before intended use
Amendments to HKAS 37	Onerous contracts – costs of fulfilling a contract
Amendments to HKFRS 3 (Revised)	Update reference to the conceptual framework
Annual Improvements Project (Amendments)	Annual improvements to HKFRSs 2018-2020
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations

The adoption of the above amendments to standards 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 mandatory for the financial year beginning on 1 April 2022 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKAS 1 (Revised) and HKFRS Practice Statement 2	Disclosure of accounting policies	1 April 2023
Amendments to HKAS 8	Definition of accounting estimates	1 April 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 April 2023
HKFRS 17	Insurance contracts	1 April 2023
HKFRS 17	Amendments to HKFRS 17	1 April 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information	1 April 2023
Amendments to HKAS 1 (Revised)	Classification of liabilities as current or non-current	1 April 2024
HK Interpretation 5 (2020)	Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause	1 April 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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 three 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; and

(c) the real estate development segment.

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.

2. **SEGMENT INFORMATION (continued)**

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.

(a) **Operating segments**

The segment results of the Group for the Period and the 1H FY2022 are as follows:

30 September 2022

	Electrical and electronic products *HK$'000*	Motors *HK$'000*	Real estate development *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue:						
Revenue from external customers						
Timing of revenue recognition						
– At a point of time	310,919	384,987	1,318	–	–	697,224
Inter-segment sales	10,312	914	–	–	(11,226)	–
Total	321,231	385,901	1,318	–	(11,226)	697,224
Other income/(expenses) and gains/(losses), net	7,017	7,930	(1,729)	–	–	13,218
Segment results	18,897	33,413	(193,975)	(524)	–	(142,189)
Unallocated loss, net						(1,496)
Unallocated expenses						(6,881)
Finance costs, net						(4,164)
Loss before income tax						(154,730)
Income tax expense						(877)
Loss for the period						(155,607)

2. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

30 September 2021

	Electrical and electronic products *HK$'000*	Motors *HK$'000*	Real estate development *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue:						
Revenue from external customers						
Timing of revenue recognition						
– At a point of time	801,883	562,896	–	–	–	1,364,779
Inter-segment sales	22,027	2,519	–	–	(24,546)	–
Total	823,910	565,415	–	–	(24,546)	1,364,779
Other income and gains, net	10,872	27,789	117	–	–	38,778
Segment results	53,341	48,850	(7,020)	(1,163)	–	94,008
Unallocated gains, net						4,452
Unallocated expenses						(6,137)
Finance costs, net						(4,770)
Profit before income tax						87,553
Income tax expense						(11,279)
Profit for the period						76,274

(b) Geographical information

	Unaudited for the six months ended 30 September							
	United States of America		Europe		Asia		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Revenue from external customers	**192,353**	641,783	**79,980**	129,783	**424,891**	593,213	**697,224**	1,364,779

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	
	2022	2021
	HK$'000	*HK$'000*
Revenue		
Manufacture and sales of:		
Electrical and electronic products	**310,919**	801,883
Motors	**384,987**	562,896
Real estate development	**1,318**	–
	697,224	1,364,779
Other income and gains, net		
Fair value (loss)/gain on financial assets at fair value through profit or loss, net	**(1,694)**	5,758
Fair value loss on investment properties	**(1,729)**	–
(Loss)/gain on disposal of property, plant and equipment, net	**(626)**	33
Gross rental income	**819**	604
Sales of scrap materials	**1,671**	8,349
Subsidy income *(Note)*	**12,035**	23,768
Others	**1,246**	4,718
	11,722	43,230

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, subsidies income amounting to HK$12,035,000 (1H FY2022: HK$23,768,000) are recognised in profit or loss, including the recognition of deferred government subsidy income of HK$6,748,000 (1H FY2022: HK$19,518,000).

4. FINANCE COSTS, NET

	Unaudited for the six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
Interest expense on bank loans	**4,401**	5,093
Interest expense on lease liabilities	**189**	64
Bank interest income	**(426)**	(387)
	4,164	4,770

During the Period, interest expense of HK$3,884,000 (1H FY2022: HK$3,395,000) 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 borrowings during the Period of 3.0% (1H FY2022: 3.0%).

5. (LOSS)/PROFIT BEFORE TAX

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

	Unaudited for the six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
Cost of inventories sold	**394,595**	855,011
Cost of properties sold	**1,949**	–
Depreciation of property, plant and equipment	**57,818**	62,517
Depreciation of right-of-use-assets	**3,267**	1,271
Legal and professional fee	**4,166**	4,142
Short-term lease expenses	**1,909**	1,261
Write-back of impairment of inventories, net	**(1,964)**	(1,279)
Impairment of properties under development *(Note 10)*	**175,695**	–
Impairment of completed properties held for sale *(Note 11)*	**12,224**	–

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (1H FY2022: 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.

	Unaudited for the six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**1,151**	5,215
Current – Elsewhere		
Charge for the period	**728**	4,055
Adjustment for current tax of prior years	**(2,033)**	(3,614)
Deferred tax	**1,031**	5,623
Total tax charge for the period	**877**	11,279

7. DIVIDENDS

The Board resolved not to declare the payment of any interim dividend for the six months ended 30 September 2022 (1H FY2022: Nil).

8. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing:

– loss for the Period attributable to equity holders of the Company of HK$155,607,000 (1H FY2022: profit of HK$76,274,000),

– by the weighted average number of ordinary shares of 438,960,000 (1H FY2022: 438,960,000) in issue during the Period.

Diluted (loss)/earnings per share

The calculation of the diluted (loss)/earnings per share amount is based on the loss for the period attributable to equity holders of the Company of HK$155,607,000 (1H FY2022: profit of HK$76,274,000) and 438,960,000 (1H FY2022: 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. For the Period and 1H FY2022, as the outstanding share options did not have dilutive effect, the Group's diluted (loss)/earnings per share equalled its basic (loss)/earnings per share.

9. RIGHT-OF-USE ASSETS

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

	Prepaid land lease payments	**Leasehold land**	**Office and other properties**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2022	**22,093**	**194**	**12,365**	**34,652**
Depreciation	**(322)**	**(4)**	**(2,941)**	**(3,267)**
Termination of leases	**–**	**–**	**(97)**	**(97)**
Exchange realignment	**(908)**	**–**	**(508)**	**(1,416)**
At 30 September 2022	**20,863**	**190**	**8,819**	**29,872**
At 1 April 2021	22,406	202	3,726	26,334
Inception of lease contracts	–	–	13,182	13,182
Depreciation	(653)	(8)	(4,552)	(5,213)
Exchange realignment	340	–	9	349
At 31 March 2022	22,093	194	12,365	34,652

10. PROPERTIES UNDER DEVELOPMENT

	Unaudited 30 September 2022	Audited 31 March 2022
	HK$'000	*HK$'000*
At beginning of the period/year	**454,115**	357,830
Additions	**25,406**	85,679
Impairment *(Note 5)*	**(175,695)**	–
Exchange realignment	**(26,177)**	10,606
At end of the period/year	**277,649**	454,115
Current portion	**(238,635)**	(411,898)
Non-current portion	**39,014**	42,217

11. COMPLETED PROPERTIES HELD FOR SALE

	Unaudited 30 September 2022 *HK$'000*	Audited 31 March 2022 *HK$'000*
At beginning of the period/year	**143,954**	143,905
Properties sold	**(1,949)**	(4,002)
Impairment *(Note 5)*	**(12,224)**	–
Exchange realignment	**(10,395)**	4,051
At end of the period/year	**119,386**	143,954

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 2022 *HK$'000*	Audited 31 March 2022 *HK$'000*
0 – 30 days	**119,834**	151,965
31 – 60 days	**86,603**	66,476
61 – 90 days	**30,414**	43,003
Over 90 days	**25,537**	42,873
	262,388	304,317
Loss allowance	**(8,803)**	(14,998)
	253,585	289,319

The Group's trading terms with its customers are mainly on credit, except for new customers, where cash on sale or payment in advance is normally required. The credit period is generally for a period of one to two months, extending up to three months for certain well-established customers. Each customer has a maximum credit limit. Accounts and bills receivable are non-interest bearing.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 30 September 2022 *HK$'000*	Audited 31 March 2022 *HK$'000*
Prepayment for property, plant and equipment	**87,391**	76,206
Prepaid construction costs *(Note)*	**79,773**	93,148
Prepayment for materials	**30,297**	43,299
VAT recoverables	**20,783**	37,820
Factoring receivables from bank	**–**	11,521
Utility and other deposits	**8,570**	11,667
Staff advance	**4,308**	2,102
Other prepayments	**2,142**	5,549
Other receivables	**55,597**	45,755
	288,861	327,067
Less: Provision for impairment	**(3,072)**	(4,827)
	285,789	322,240
Less: Current portion	**(192,276)**	(236,397)
Non-current portion	**93,513**	85,843

Note:

As at 30 September 2022, prepaid construction costs include prepaid construction cost of approximately HK$73,928,000 (31 March 2022: HK$83,843,000) to certain contractors for the properties development project in Dushan County ("Dushan"), Guizhou Province ("Guizhou"), the People's Republic of China ("China" or the "PRC"). The properties, upon completion, are for selling purpose and are expected to be completed within twelve months, therefore, it is classified as current assets.

14. 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 is as follows:

	Unaudited 30 September 2022 *HK$'000*	Audited 31 March 2022 *HK$'000*
0 – 30 days	**74,508**	100,493
31 – 60 days	**58,475**	50,208
61 – 90 days	**45,449**	62,118
Over 90 days	**59,018**	100,584
Accounts and bills payable *(Note i)*	**237,450**	313,403
Accrued expenses	**16,682**	24,695
Other payables	**21,986**	22,883
Payable for construction work	**7,827**	8,907
Financial liabilities	**283,945**	369,888
Accrued employee benefit expenses	**62,522**	73,763
VAT and other tax payable	**26,038**	27,007
Deferred income *(Note ii)*	**21,773**	25,599
Total trade and other payables	**394,278**	496,257
Less: Non-current portion of deferred income *(Note ii)*	**(17,050)**	(17,515)
Current portion	**377,228**	478,742

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, 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$6,748,000 (1H FY2022: HK$19,518,000) had been recognised and included in subsidy income of "Other income and gains, net" in the condensed consolidated income statement.

15. BANK BORROWINGS

	Unaudited 30 September 2022 *HK$'000*	Audited 31 March 2022 *HK$'000*
Unsecured		
Current portion	**381,976**	412,071
Non-current portion	**102,544**	111,800
	484,520	523,871
Secured		
Current portion	**4,875**	5,276

The Group's banking facilities are secured by the corporate guarantees, investment property and bank deposits given by the Company and certain subsidiaries of the Company.

Bank borrowings mature until year 2025, and bear average interest at 3.0% (31 March 2022: 2.8%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

Kin Yat is one of the leading industrial enterprises engaged in the development and production of niche, technology-driven and quality electrical and electronic products as well as a premier provider of electric motor drives and related products under its own house brand. In recent years, the Company has also been engaged in two real estate development projects in Dushan County, Guizhou Province, China.

The recent difficult global macroeconomic environment with, inter alia, strong dollar, increasing interest rates, soaring inflation, heightened geopolitical tensions has resulted in the softening of demand for goods and services from our clients in general in relation to our manufacturing business. As a result, the Company was inevitably experiencing a decline in turnover from its manufacturing business as a whole during the first half of the financial year ending 31 March 2023 on a year-on-year basis ("YoY"). In the key location where we operate, the current troubled property market in the PRC only compounds the pressures adversely affecting the Company's non-manufacturing business in terms of the valuation of the two real estate development projects in Dushan. Consequently, the Company is to recognise an aggregate impairment loss of HK$189,648,000 (1H FY2022: Nil) (please refer to the section of the Real Estate Development Business Segment below for more details) towards its assets of the real estate development projects in the financial results for the Period. Such impairment loss, albeit a non-cash expense, has caused the interim results of the Company for the Period to turn from a profit into a loss.

Yet, we are confident that our multi-pronged strategy, including production base diversification as well as product and customer mix enhancement, shall be able to significantly improve business resilience and sustainability regarding our manufacturing business in the medium run. As its first step to reshape its product portfolio with an effort to enhance its income stream on a short-medium term basis, the Group has also established its house brand for healthcare products at the beginning of 2020, supported by existing advanced production equipment and technological know-how. Management of the Company thus believe that leveraging the Company's four decades of experience in the industry and strong research and development ("R&D") capability, the Group is prepared to ride out the tough market environment ahead of us with the recent dynamic geopolitical and macroeconomic sentiment given time.

FINANCIAL REVIEW

There is no denial that the 1H FY2023 presented significant challenges to the Group. The lingering COVID-19 and reoccurring lockdowns in the PRC, along with the Russian-Ukraine war, have brought notable problems to the already-disrupted supply chain and led to energy supply shortage, consequently escalating energy prices and sending inflation high across the globe. Compounded by the growing inflation and interest rates concerns and inventory backlog, brand owners generally remained prudent in new product launch and placing orders given that global consumer market demands are withering with the eroding consumption power and economic slowdown. Hence, the Group was inevitably impacted, with both Electrical and Electronic Products Business Segment ("E&E Segment") and Motors Business Segment ("Motor Segment") recording a decrease in sales volume during the Period, defying the efforts of the Group to maintain a competitive price for its long-term clients to maintain long-term rapport and operation scale. As a result of the above, together with the absence of the revenue from a previous customer which was one of the significant customers of the Group, the Group's overall turnover during the Period decreased by 48.9% YoY, from approximately HK$1,364,779,000 to approximately HK$697,224,000.

The Group's total turnover for the Period by segment is analysed as follows:

- Electrical and Electronic Products Business Segment: HK$310,919,000, representing 44.6% of the Group's consolidated turnover for the Period (1H FY2022: HK$801,883,000, 58.8%).

- Motors Business Segment: HK$384,987,000, contributing 55.2% of the Group's consolidated turnover for the Period (1H FY2022: HK$562,896,000, 41.2%).

- Real Estate Development Business Segment: HK$1,318,000, representing 0.2% of the Group's consolidated turnover for the Period (1H FY2022: Nil, 0%).

As a whole, the Group's gross profit for the Period decreased by 47.6% YoY to HK$88,448,000 (1H FY2022: HK$168,658,000). To mitigate the negative impact of the prevailing conservatism among brand owners, the Group focused on cost control, by proactively communicating with clients on their latest plan, and taking swift action to adjust the according raw material procurement, labour allocation and production schedule. Under the measures mentioned above, operating costs, including selling and distribution expenses and administrative expenses, of the Group shrank in response to the decline in turnover, the Group's overall gross profit margin slightly edged up 0.3% to 12.7% YoY amid an overall lower utilisation level. Despite the benefit to the Group from the depreciation of Renminbi ("RMB") against the United States ("U.S.") dollars ("US$") during the Period, which is more than offset by the impairment loss incurred from its real estate business, amounted to HK$189,648,000 the loss attributable to equity holders of the Company was HK$155,607,000 as compared to the profit attributable to equity holders of HK$76,274,000 for 1H FY2022.

OPERATIONAL REVIEW

Non-manufacturing Business

Real Estate Development Business Segment

During the Period, the Segment continued its two residential 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$193,975,000 during the Period (1H FY2022: a loss of HK$7,020,000) primarily attributable to impairment loss of HK$189,648,000 (1H FY2022: Nil) due to the change in fair value of those properties held for rental purposes and the decline in the carrying value of the unsold units of the completed properties held for sale and the properties under development of the foregoing two property development projects in Dushan and in particular the impairment of the carrying value of the construction in progress, which has been suspended for further development for several years and decided to be shelved off in 1H FY2023, other than those completed units in relation to the remaining part of the Phase 1 of the residential property development project in Dushan – *The Jardin Monstouris.* Besides, contracted sales of *The Jardin Montsouris* were not able to be recognised as revenue as the final acceptance certificates for such project have not been issued during the Period.

China's real estate market remained sluggish in 1H FY2023, and beset by multiple headwinds, including, among others, demand of residential properties plagued by COVID lockdowns and the sluggish property market sentiment in the PRC. Despite the government has rolled out certain policies to revive the property sector, including lowering mortgage rates, income tax refund for eligible home buyers etc., market sentiment is seen to remain poor even in those larger cities in the PRC.

Under such background, sales of our two property development projects to home/commercial unit buyers were stagnant during the Period with only one unit of the residential unit of *The Royale Cambridge Residences* was sold yet at a price below cost during the Period. Nevertheless, the Segment has managed to agree with construction contractors to partly settle the outstanding construction costs in lieu of payment by selling 12 residential units of *The Jardin Montsouris* to the contractors, bringing the aggregate number of residential units contracted for sale for *The Jardin Montsouris* to 259 with a total consideration of approximately RMB113,000,000 as of 30 September 2022.

Mainly in consideration of the gloomy outlook of the property market in the PRC and, in particular, in Dushan where *The Jardin Montsouris* is located and is considered a relatively less developed county, the unsatisfactory sales track record since the date of commencing pre-sales, the growing uncertainty of the continuity of the shantytown demolition and relocation policy in Guizhou Province and a better deployment and utilisation of Group's financial resources, the Segment has decided to shelve the property development of the Phases 1B, IC and 1D of *The Jardin Montsouris* (the "Shelved Phases") (being the remaining part of the current Phase I development). The site of the Shelved Phases comprises a parcel of land with a total site area of 45,887 sq.m. with the gross floor area of the properties to be developed of 275,867 sq.m. Given the foregoing strategic move to shelving further development of the remaining phases of *The Jardin Montsouris*, a provision for impairment of the Shelved Phases amounting to HK$175,695,000, being the value of the construction in progress, was charged in 1H FY2023.

Looking into the second half of the financial year, the Segment will focus its efforts and resources to complete the remaining minor construction work and auxiliary works of the Phase 1A of *The Jardin Montsouris*, bringing it to practical completion. According to the best estimate of the Segment, the relevant final acceptance certificates will likely be issued in the first quarter of the calendar year 2023. The Segment will continue to strategise the sale of the remaining completed units of the projects in the ensuing future.

Manufacturing Business

The Group operates two manufacturing business segments on three major production centres in the PRC, of which two production centres are based in Guangdong Province, situated in Songgang, Baoan District, Shenzhen City ("Shenzhen") and Shixing County, Shaoguan City ("Shixing"), respectively, with the third being located in Dushan County ("Dushan"), Guizhou Province. The Group's production bases are also supplemented by a motors and encoder related product facility and an E&E Segment production facility in Malaysia. During the Period, the Shenzhen centre continued to focus on handling high value-added processes for robotics and smart products for E&E Segment, whereas the Shixing centre remained as the major production base for motor drives and other electrical and electronic products. The Dushan centre currently houses motors production and sub-assembly business.

Electrical and Electronic Products Business Segment

The E&E Segment continues to provide development, design, and manufacturing services of four main product categories: (i) robotics, (ii) juvenile products and baby care products, (iii) smart products and (iv) healthcare products.

It is worth mentioning that the Segment has been going through a transition period from predominantly led by a previous customer from the robotics sector, to exploring new applications and new clients from different industries that offer higher margins. Despite the short-term decrease in revenue from the robotics sector, the strategic move has freed up the necessary production capacity, allowing the Segment to carefully explore new customers during the Period. Yet, impacted by the testing macroenvironment, conservatism generally prevailed among brand owners, particularly for those based in Europe and the U.S., where inventory backlog issues became increasingly pressing. As a result, most of the existing projects and new client discussion were temporarily put on hold, with brand owners eyeing for a more stable sentiment and further visibility in the market.

For the reasons mentioned above, the external turnover of the Segment saw a decrease of 61.2% YoY to HK$310,919,000 during the Period (1H FY2022: HK$801,883,000), accounting for 44.6% (1H FY2022: 58.8%) of the Group's overall turnover. In the face of decreasing order volume, utilisation rates of its manufacturing plants were also kept at low levels, overall segment profit recorded a decrease of 64.6% YoY, from approximately HK$53,341,000 to HK$18,897,000 during the Period, despite the Group's best effort in product price adjustment and cost control.

In terms of sector, the healthcare sector demonstrated a growth potential in light of its inception development stage in the Segment. Although the sector was still on a low base, it has nonetheless secured several new projects with different clients, with one of them focusing on niche medical products. The Group considers the sector as a potential product diversification and growth driver in the long-run, and is hoping to leverage its capability and experience in Internet of Things ("IoT") to develop smart and sophisticated healthcare products.

Meanwhile, we remain optimistic about the long-term potential of the juvenile and baby care products sector – according to a report from Grand View Research, the global baby products market was valued at US$214.13 billion in 2021, and is expected to expand at a CAGR of 5.7% between 2022 and 2030, supported by the increasing awareness on baby's health and hygiene, as well as rising spending on high-quality, utility-driven, and premium baby products. During the Period, although there were some delays on projects rollout, the sector saw confidence from its customers, with ongoing new product and models development stimulating customers' demand next year or in a longer run.

The smart products sector is another focus of the Group in the longer-term. Another research report from Grand View Research points out that, the global smart home market was valued at US$62.69 billion in 2021, and is expected to grow at a CAGR of 27.0% from 2022 to 2030. The rapid adoption of advanced technologies, such as artificial intelligence, Internet of Things, blockchain, and others, boosts the deployment of smart devices at home, such as smart vacuums and beverage makers.

For Future View

Looking into the second half of the financial year, which is the traditional low season of the year, the Group will cautiously evaluate its clients' order book and plan ahead for its production to minimise operating cost. At the same time, the Segment will continue to adopt stringent cost control and streamline its structure to maintain its margin level.

In addition, the Segment will continue to expand its customer portfolio by specifically targeting growing sectors, while deploying more resources to the newly-developed healthcare business, so as to increase market share and expand scale. On existing customers, the Group will look to maintain a good relationship and nurture existing brand owners to ensure a stable cash flow, while exploring other possibilities by leveraging its excellent R&D and manufacturing capabilities.

Due to the increasing demand for "China Plus One" manufacturing solutions from its existing clients, the Segment will also gradually expand its production capacity in the Malaysia site, in order to cater clients' need and breed customer stickiness. With its diversified production solutions across China and Malaysia, the Segment is confident to gain more clients and orders in the future.

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 to encoders and related products. Recently, its product offering was extended to larger-sized motor drives, brushless DC motors and gearbox, which is under the category 'Motor Plus', as its new attempt to capture the latest technological trends and market demand. Supported by its major production facilities located in Shixing and Dushan, which are supplemented by the production facility in Malaysia, the Segment has essentially established a dual-base production and R&D platform, able to provide customers with innovative, flexible, closer-to-market, yet cost-competitive manufacturing solutions. The Segment has been categorised into four sectors of application, namely automobiles, office automation equipment, toys, and household appliances.

During the Period, the global economy was still affected by the COVID-19 pandemic, especially in the PRC where a zero-COVID policy was adopted. Meanwhile, supply chain bottleneck, escalating geopolitical tension, and climbing inflation rate, have all dragged economic performance and consumer sentiment. Most of the Segment's clients have become more conservative when placing orders to avoid excess inventory, and sales volume was inevitably affected. Hence, the Segment saw a decrease in orders across sectors. Overall, the external turnover of the Segment was HK$384,987,000 (1H FY2022: HK$562,896,000), representing a 31.6% decrease YoY.

Amid the strong headwinds, the Segment has also communicated frequently with its clients, in order to timely adjust its procurement strategy and production schedule, so as to maintain operational efficiency amidst reducing order size. The Segment also tried to ease its cost pressure by optimising the resources of its two major production facilities in Shixing and Dushan, in an attempt to improve cost control and boost efficiency. The decrease in sale revenue and in government subsidy, partially offset by the benefits from the depreciation of RMB, have resulted in a decrease of 31.6% YoY in the Segment profit, reaching HK$33,413,000 (1H FY2022: HK$48,850,000).

For the future view

Looking forward, unfavorable factors such as high inflation, Ukraine-Russia conflict, rising shipping and commodity costs are unlikely to be resolved soon, and the conservatism among brand owners is expected to remain. In the short run, the Segment will maintain effective communication with its clients, so that it can plan its production schedule ahead and maintain its margin level. To establish greater resilience against potential economic downturn, the Segment is also committed to implementing stringent cost control measures and maintaining its supply chain agility, allowing it to stay competitive in face of market fluctuations.

Amidst global uncertainties, diversifying its product portfolio is always one of the Group's strategies to achieve sustainable growth. The Segment will continue to put greater efforts into research and development by exploring new applications of existing technologies. For instance, the Segment is considering to develop motors with more advanced features (cost-effective and energy-saving), and work with clients to explore other related Motor Plus products, so that it can enhance overall margin of the Segment in the long-run. Supported by its wide range of product offerings, the Segment will continue to explore further business opportunities through an expanding clientele.

On the backdrop of its "China Plus One" strategy, the Segment will continue to expand its manufacturing excellence in Southeast Asia in order to cater certain clients' needs and achieve better cost efficiency in the long run. Through localised supply chain, the Segment can enjoy the benefit of reducing labour cost, and provide clients with more flexible and cost-efficient manufacturing solutions. This should help the Segment to gain additional orders from existing clients, while acquiring new clients with its expanded network.

OUTLOOK

Under the adverse macro environment, the International Monetary Fund published its latest forecast in October, predicting a global economic growth of 3.2% in 2022, while lowering its projection for 2023 to 2.7%. It also predicts an across-the-board slowdown next year, with the three largest economies, the U.S., the PRC, and the European market continue to stall.

To counter the difficult operating environment, the Group will remain cautious and agile in managing its production schedule and cost structure, striving to provide high-quality and cost-competitive manufacturing solutions to its clients. Despite the challenges ahead, the Group will continue to execute its marketing plan, exploring various opportunities from the aforementioned target sectors to drive future growth. The Group will also continue its R&D investment, so that it can enhance its product quality and launch new and higher value products to boost order volume and margins.

To diversify business risk and capture regional market opportunities, the Group will gradually expand its capacity in the Malaysia production base, catering the needs of "China Plus One" solutions. In the longer-term, the Group will also consider tapping into another location in Southeast Asia, which can offer lower labour cost, stable supply chain and stable political environment. Meanwhile, for its setup in the PRC, the Group will also evaluate and rebalance its production resources in the country, in order to further improve cost efficiency and prepare for new orders.

Since 1981, Kin Yat has been striving for excellence through countless ups and downs. With its wealth of experience and management expertise, the Group believes the aforesaid strategies will help the Group to overcome the obstacles once again, allowing it to deliver long-term values to its stakeholders in the future.

FINANCIAL CONDITIONS, LIQUIDITY AND FINANCIAL RESOURCES

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 2022, the Group had time deposits of HK$13,360,000 (31 March 2022: HK$13,355,000), cash and bank balances of HK$265,635,000 (31 March 2022: HK$257,584,000), and net current assets of HK$335,063,000 (31 March 2022: net current assets HK$525,724,000). As at 30 September 2022, shareholders' equity was HK$1,263,500,000 (31 March 2022: HK$1,589,910,000). Total consolidated banking facilities of the Group from all banks as at 30 September 2022 amounted to approximately HK$717,430,000 (31 March 2022: HK$661,742,000). As at 30 September 2022, total bank borrowings amounted to HK$489,395,000 (31 March 2022: HK$529,147,000).

As at 30 September 2022, the current ratio of the Group (current assets divided by current liabilities) was maintained at 1.34 times (31 March 2022: 1.46 times) and the gearing ratio of the Group (total bank borrowings divided by total equity) was 38.7% (31 March 2022: 33.3%).

CAPITAL STRUCTURE

As at 30 September 2022, the total issued share capital of the Company was HK$43,896,000 (31 March 2022: HK$43,896,000), comprising 438,960,000 (31 March 2022: 438,960,000) ordinary shares of HK$0.10 each. There was no change in the share capital of the Company during the Period.

CHARGE ON THE GROUP'S ASSETS

The Group's bank deposits of HK$11,391,000 (31 March 2022: HK$12,326,000) and an investment property of HK$42,159,000 (31 March 2022: HK$46,789,000) were pledged to a bank in the PRC for bank facilities of HK$56,955,000 as at 30 September 2022 (31 March 2022: HK$61,631,000).

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, DISPOSALS AND SIGNIFICANT INVESTMENTS

During the Period, the Group was neither involved in any significant investment, nor any material acquisition or disposal of any subsidiary.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2022, the Group employed around 4,900 full-time employees, of which less than 100 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, 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.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2022 (1H FY2022: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

The Board regularly reviews the guidelines and latest development in corporate governance. Except for the deviation described below, in the opinion of the Board, the Company has adopted and complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Period.

Pursuant to provision C.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 the 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 ("Model Code") as 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 six months ended 30 September 2022. All 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 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 Group's unaudited condensed consolidated financial information for the six months ended 30 September 2022.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is available for viewing on the website of The Stock Exchange of Hong Kong Limited at *www.hkex.com.hk* and that of the Company at *www.kinyat.com.hk*. The interim report of the Company for the six months ended 30 September 2022 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, 29 November 2022

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