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 2023

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 2023 (the "Period" or "1H FY2024"), 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	
	Notes	**2023** *HK$'000*	2022 *HK$'000*
Revenue	*3*	**552,266**	697,224
Costs of sales		**(477,455)**	(608,776)
Gross profit before impairment		**74,811**	88,448
Cost of sales – Impairment of properties under development and completed properties held for sale	*5*	**–**	(187,919)
Gross profit/(loss) after impairment		**74,811**	(99,471)
Other income and gains, net	*3*	**73,270**	11,722
Selling and distribution expenses		**(15,437)**	(21,716)
Administrative expenses		**(66,256)**	(46,493)
(Impairment losses)/reversal of impairment on financial assets		**(1,604)**	5,392
Operating profit/(loss)		**64,784**	(150,566)
Finance income	*4*	**668**	426
Finance costs	*4*	**(8,813)**	(4,590)
Finance costs, net	*4*	**(8,145)**	(4,164)
Profit/(loss) before income tax	*5*	**56,639**	(154,730)
Income tax expense	*6*	**(19,914)**	(877)
Profit/(loss) for the period attributable to equity holders of the Company		**36,725**	(155,607)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited for the six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Profit/(loss) for the period	**36,725**	(155,607)
Other comprehensive (loss)/income:		
Item that may be reclassified to the income statement:		
Deferred tax credited to asset revaluation reserve upon disposal of property, plant and equipment	**4,491**	–
Exchange translation reserve on translation of foreign operations	**(48,508)**	(132,874)
	(44,017)	(132,874)
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 credited to asset revaluation reserve	**–**	10,144
	–	(37,929)
Other comprehensive loss for the period, net of tax	**(44,017)**	(170,803)
Total comprehensive loss for the period attributable to equity holders of the Company	**(7,292)**	(326,410)
Earnings/(loss) per share attributable to equity holders of the Company		
Basic and diluted	**HK8.37 cents**	HK(35.45) cents

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 2023 HK$'000**	Audited 31 March 2023 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**715,624**	781,529
Investment properties		**52,284**	54,016
Right-of-use assets	*9*	**26,071**	29,484
Properties under development	*10*	**99,908**	103,216
Intangible assets		**4,650**	4,650
Prepayments and deposits	*13*	**31,108**	24,571
Deferred tax assets		**3,239**	4,145
Total non-current assets		**932,884**	1,001,611
Current assets			
Properties under development	*10*	**209,446**	207,404
Completed properties held for sale	*11*	**75,151**	79,128
Inventories		**148,469**	195,559
Accounts receivable	*12*	**247,869**	210,742
Prepayments, deposits and other receivables	*13*	**190,303**	114,333
Financial assets at fair value through profit or loss		**13,246**	27,408
Tax recoverable		**5,517**	4,457
Time deposits		**43,232**	10,006
Restricted bank deposits		**554**	1,093
Cash and cash equivalents		**139,029**	203,372
		1,072,816	1,053,502
Assets classified as held for sale		**–**	41,100
Total current assets		**1,072,816**	1,094,602
Total assets		**2,005,700**	2,096,213

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	Unaudited 30 September 2023 HK$'000	Audited 31 March 2023 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**43,896**	43,896
Reserves		**1,053,497**	1,060,789
Total equity		**1,097,393**	1,104,685
LIABILITIES			
Non-current liabilities			
Deferred income and other payables	*14*	**25,660**	36,767
Bank borrowings	*15*	**68,225**	82,200
Lease liabilities		**3,846**	6,477
Deferred tax liabilities		**24,175**	29,387
Total non-current liabilities		**121,906**	154,831
Current liabilities			
Accounts and bills payable, other payables and provisions	*14*	**345,109**	346,325
Contract liabilities		**142,318**	158,958
Bank borrowings	*15*	**220,050**	269,065
Lease liabilities		**5,357**	5,596
Tax payable		**73,567**	56,753
Total current liabilities		**786,401**	836,697
Total liabilities		**908,307**	991,528
Total equity and liabilities		**2,005,700**	2,096,213

NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 September 2023 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 2023, 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 2023, 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 2023.

HKFRS 17	Insurance Contracts and the related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules (amendments)

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 2023 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 April 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 April 2024
Amendments to HKFRS 16	Lease liability in a sale and leaseback	1 April 2024
HK Interpretation 5 (Revised)	Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause	1 April 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	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 robotics, juvenile products, baby care products, IOT, smart home products and healthcare products;

(b) the motors segment consists of the development, design, manufacture and sale of electric motor drives and related products; 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 FY2023 are as follows:

30 September 2023

	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	**231,320**	**319,956**	**990**	**–**	**–**	**552,266**
Inter-segment sales	**10,899**	**1,311**	**–**	**–**	**(12,210)**	**–**
Total	**242,219**	**321,267**	**990**	**–**	**(12,210)**	**552,266**
Other income and gains, net	**73,229**	**2,188**	**–**	**–**	**–**	**75,417**
Segment results	**78,250**	**152**	**(2,496)**	**(454)**	**–**	**75,452**
Unallocated loss, net						**(2,147)**
Unallocated expenses						**(8,521)**
Finance costs, net						**(8,145)**
Profit before income tax						**56,639**
Income tax expense						**(19,914)**
Profit for the period						**36,725**

2. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

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
Cost of sales-Impairment of properties under development and completed properties held for sale	–	–	(187,919)	–	–	(187,919)
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)

(b) Geographical information

	Unaudited for the six months ended 30 September							
	United States of America		Europe		Asia		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Revenue from external customers	**102,113**	192,353	**43,061**	79,980	**407,092**	424,891	**552,266**	697,224

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	
	2023	2022
	HK$'000	*HK$'000*
Revenue		
Manufacture and sales of:		
Electrical and electronic products	**231,320**	310,919
Motors	**319,956**	384,987
Real estate development	**990**	1,318
	552,266	697,224
Other income and gains, net		
Fair value loss on financial assets at fair value through profit or loss, net	**(2,158)**	(1,694)
Fair value loss on investment properties	**–**	(1,729)
Gain/(loss) on disposal of property, plant and equipment and right-of-use assets, net	**62,950**	(626)
Gross rental income	**1,691**	819
Sales of scrap materials	**1,786**	1,671
Subsidy income *(Note)*	**2,505**	12,035
Others	**6,496**	1,246
	73,270	11,722

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$2,505,000 (1H FY2023: HK$12,035,000) are recognised in profit or loss, including the recognition of deferred government subsidy income of HK$2,302,000 (1H FY2023: HK$6,748,000).

4. FINANCE COSTS, NET

	Unaudited for the six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Finance income	**668**	426
Interest expense on bank loans	**(8,604)**	(8,285)
Interest expense on lease liabilities	**(209)**	(189)
	(8,813)	(8,474)
Amount capitalised *(Note)*	**–**	3,884
Finance costs	**(8,813)**	(4,590)
Finance costs, net	**(8,145)**	(4,164)

Note:

During the Period, the Group did not have interest expense (1H FY2023: HK$3,884,000) capitalised under properties under development. For 1H FY2023, 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 is 3.0%.

5. PROFIT/(LOSS) BEFORE TAX

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

	Unaudited for the six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Cost of inventories sold	**312,191**	394,595
Cost of properties sold	**1,464**	1,949
Depreciation of property, plant and equipment	**49,951**	57,818
Depreciation of right-of-use assets	**2,999**	3,267
Legal and professional fee	**3,947**	4,166
Short-term lease expenses	**2,508**	1,909
Write-back of impairment of inventories, net	**(16,398)**	(1,964)
Impairment of properties under development	**–**	175,695
Impairment of completed properties held for sale	**–**	12,224
Write-off of property, plant and equipment	**287**	–

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (1H FY2023: 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	
	2023	2022
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**239**	1,151
Current – Elsewhere		
Charge for the period	**19,099**	728
Adjustment for current tax of prior years	**–**	(2,033)
Deferred tax	**576**	1,031
Total tax charge for the period	**19,914**	877

7. DIVIDENDS

The Board resolved not to declare the payment of any interim dividend for the six months ended 30 September 2023 (1H FY2023: Nil).

8. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Period.

	Unaudited for the six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders of the Company	**36,725**	(155,607)
Weighted average number of ordinary shares in issue (thousands)	**438,960**	438,960
Basic earnings/(loss) per share (HK cents per share)	**8.37**	(35.45)

8. EARNINGS/(LOSS) PER SHARE (continued)

(b) Diluted

Diluted earnings/(loss) per share for the periods ended 30 September 2023 and 2022 is the same as the basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the periods.

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 2023	**17,686**	**186**	**11,612**	**29,484**
Depreciation	**(259)**	**(4)**	**(2,736)**	**(2,999)**
Exchange realignment	**(252)**	**–**	**(162)**	**(414)**
At 30 September 2023	**17,175**	**182**	**8,714**	**26,071**
At 1 April 2022	22,093	194	12,365	34,652
Inception of lease contracts	–	–	6,984	6,984
Transfer to asset classified as held for sale	(2,765)	–	–	(2,765)
Depreciation	(642)	(8)	(6,076)	(6,726)
Termination of lease	–	–	(996)	(996)
Exchange realignment	(1,000)	–	(665)	(1,665)
At 31 March 2023	17,686	186	11,612	29,484

10. PROPERTIES UNDER DEVELOPMENT

	Unaudited 30 September 2023 *HK$'000*	Audited 31 March 2023 *HK$'000*
At beginning of the period/year	**310,620**	454,115
Additions	**7,494**	78,192
Impairment	**–**	(191,304)
Exchange realignment	**(8,760)**	(30,383)
At end of the period/year	**309,354**	310,620
Current portion	**(209,446)**	(207,404)
Non-current portion	**99,908**	103,216

11. COMPLETED PROPERTIES HELD FOR SALE

	Unaudited 30 September 2023 *HK$'000*	Audited 31 March 2023 *HK$'000*
At beginning of the period/year	**79,128**	143,954
Properties sold	**(1,464)**	(6,226)
Impairment	**–**	(48,774)
Exchange realignment	**(2,513)**	(9,826)
At end of the period/year	**75,151**	79,128

12. ACCOUNTS RECEIVABLE

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

	Unaudited 30 September 2023	Audited 31 March 2023
	HK$'000	*HK$'000*
0 – 30 days	**103,728**	113,850
31 – 60 days	**79,852**	52,437
61 – 90 days	**31,542**	24,762
Over 90 days	**42,944**	28,524
	258,066	219,573
Loss allowance	**(10,197)**	(8,831)
	247,869	210,742

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 receivable are non-interest bearing.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 30 September 2023 *HK$'000*	Audited 31 March 2023 *HK$'000*
Prepayment for property, plant and equipment	**28,976**	22,610
Prepaid construction costs *(Note i)*	**6,615**	8,787
Prepayment for materials	**12,958**	20,742
VAT recoverables	**29,315**	28,641
Utility and other deposits	**8,774**	10,244
Staff advance	**1,657**	2,009
Other prepayments	**630**	1,738
Other receivables *(Note ii)*	**135,583**	47,333
	224,508	142,104
Less: Provision for impairment	**(3,097)**	(3,200)
	221,411	138,904
Less: Current portion	**(190,303)**	(114,333)
Non-current portion	**31,108**	24,571

Notes:

(i) As at 30 September 2023, prepaid construction costs include prepaid construction cost of approximately HK$4,746,000 (31 March 2023: HK$7,107,000) 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.

(ii) Other receivables as at 30 September 2023 included the unsettled consideration of approximately RMB78,415,000 (equivalent to approximately HK$85,663,000) in relation to the asset disposal transaction under the Three-old Renovation as reported on the Company's 2023 Annual Report and disclosed on the Company's announcements dated 24 March, 29 March, 19 April and 25 April 2023 and circular dated 31 May 2023 (31 March 2023: Nil). Of such the unsettled balance of consideration, the successful bidder of the land use rights of the Lands as redesignated in the Public Auction has settled the first instalment of the compensation amounting to approximately RMB20,083,000 (equivalent to approximately HK$21,939,000) in cash in October 2023 and will settle the second instalment of approximately RMB57,332,000 (equivalent to approximately HK$62,632,000) up to two years with interest incurred at the rate of 5% per annum according to the cooperation agreement.

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 2023 *HK$'000*	Audited 31 March 2023 *HK$'000*
0 – 30 days	**46,785**	57,253
31 – 60 days	**59,860**	43,953
61 – 90 days	**43,243**	37,697
Over 90 days	**54,643**	63,499
Accounts and bills payable *(Note i)*	**204,531**	202,402
Accrued expenses	**22,893**	19,390
Other borrowings	**24,201**	27,882
Other payables	**21,548**	20,756
Payable for construction work	**9,819**	7,314
Financial liabilities	**282,992**	277,744
Accrued employee benefit expenses	**46,571**	59,246
VAT and other tax payable	**24,855**	26,869
Deferred income *(Note ii)*	**16,351**	19,233
Total trade and other payables	**370,769**	383,092
Less: Non-current portion of deferred income *(Note ii)*	**(12,106)**	(14,553)
Non-current portion of other borrowings	**(13,554)**	(22,214)
Current portion	**345,109**	346,325

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 local government for the Group's manufacturing company located in the PRC. These grants are held as deferred income and recognised to the income statement on a systematic basis to match with the assets' useful lives. During the Period, subsidies of HK$2,302,000 (1H FY2023: HK$6,748,000) 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 2023	Audited 31 March 2023
	HK$'000	*HK$'000*
Unsecured		
Current portion	**220,050**	269,065
Non-current portion	**68,225**	82,200
	288,275	351,265

Bank borrowings mature until year 2025, and bear average interest at 6.1% (31 March 2023: 5.3%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

Kin Yat is one of the leading industrial enterprises engaged in the development and production of niche, advanced and quality electrical and electronic products, together with electric motor drives and related products under its own house brand. In recent years, the Company also embarked on the development of two real estate projects in Dushan County ("Dushan"), Guizhou Province, China.

FINANCIAL REVIEW

During the Period, the operating environment remained challenging despite the world entering the post-COVID era. Geopolitical incidents, rising inflation and interest rates, along with worsening returns from different asset classes and diminishing savings from COVID times, have all led to growing consumer conservatism and slow product throughout in the global market. To further complicate the matter, previous supply chain disruptions have led to relatively high channel inventories, forcing brand owners to focus on reducing inventories instead of placing new orders and investing in new product development. As a result, the Group's order intake has notably suffered, with overall turnover for the Period decreasing by 20.8% year-over-year (YoY) from approximately HK$697,224,000 to approximately HK$552,266,000.

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

- Electrical and Electronic Products Business Segment ("E&E Segment"): HK$231,320,000, representing 41.9% of the Group's consolidated turnover for the Period (1H FY2023: HK$310,919,000, 44.6%).

- Motors Business Segment ("Motor Segment"): HK$319,956,000, contributing 57.9% of the Group's consolidated turnover for the Period (1H FY2023: HK$384,987,000, 55.2%).

- Real Estate Development Business Segment: HK$990,000, representing 0.2% of the Group's consolidated turnover for the Period (1H FY2023: HK$1,318,000, 0.2%).

In view of the pressure on its order book, the Group strived to improve its production planning, streamline its operations, and reduce indirect overheads to maintain efficiency and margins. Overall gross profit (excluding impairment) decreased 15.4% YoY to HK$74,811,000 for the Period, with gross profit margin largely remaining at 13.5% (1H FY2023: 12.7%), as a result of improving cost control and depreciation of Renminbi ("RMB"), partially offsetting the worsening economies of scale.

In the absence of the non-recurring and non-cash impairment losses incurred by the Real Estate Development Business Segment and the Manufacturing Business Segments in 1H FY2024, and after the inclusion of the one-off gain on disposal of property, plant and equipment and right-of-use assets for the Period, profit attributable to equity holders of the Company for the Period significantly increased to HK$36,725,000, as compared to the loss attributable to equity holders of HK$155,607,000 for 1H FY2023. Basic earnings per share ("EPS") for the Period was HK8.37 cents (1H FY2023 EPS: Basic loss per share HK35.45 cents).

OPERATIONAL REVIEW

Manufacturing Businesses

The Group operates two manufacturing business segments on three major production centres in the PRC. Two of which are based in Guangdong Province, situated in Songgang, Baoan District, Shenzhen City ("Shenzhen") and Shixing County, Shaoguan City ("Shixing"), respectively, with the third located in Dushan, Guizhou Province. The Group's production bases are also supplemented by a motors and encoder related production facility and an E&E Segment production facility in Malaysia. In terms of allocation, the Shenzhen centre continued to be focusing on the high-value-added processes for robotics and smart products for the E&E Segment, while 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 provides development, design, and manufacturing services for four main product categories: (i) robotics, (ii) juvenile products and baby care products, (iii) smart products and (iv) healthcare products.

The business environment remained turbulent and unpredictable during the Period. High inflation, rising interest rates, high energy costs, and geopolitical uncertainties have all weakened consumer sentiment and demand at an alarming rate, with branded partners significantly curtailing orders on the backdrop of high inventories. This has led to a sharp decrease in Segment's sales turnover, particularly in the European and American markets. As order volume dropped, production utilization also suffered, leading to diseconomies of scale and worsening margins. Although the Segment observed signs of recovery in the latest quarter, orders have yet to fully recover to their previous levels.

As a result of the aforementioned factors, external turnover of the Segment decreased by 25.6% to approximately HK$231,320,000 during the Period (1H FY2023: HK$310,919,000), accounting for 41.9% (1H FY2023: 44.6%) of the Group's overall revenue. Although the Group has taken immediate cost control and streamlining measures to trim down overhead expenses, the pace of the downturn in sales was much quicker than expected. Compounded by the decision and cost to retain production infrastructure in view of a post-market recovery, overall segment profit recorded an increase of 314.1% YoY, from HK$18,897,000 to HK$78,250,000 after the inclusion of the one-off gain on disposal of property, plant and equipment and right-of-use assets during the Period.

In terms of sector, the juvenile and baby care products sector has shown gradual signs of recovery, with demand steadily picking up. Despite some caution from brand owners over new model development, the global baby product market has generally displayed resilience, with normalized inventory level persuading clients to return with new orders. On the other hand, the healthcare sector continued to demonstrate its growth potential. Despite still operating on a low volume and revenue base, the sector has seen active enquiries and discussions from clients regarding new model introductions, including the previously mentioned niche medical products. The Group recognised such promising opportunity for product diversification and long-term growth, and the Group intends to capitalize on its expertise and experience in the Internet of Things ("IoT"), and create more advanced and value-added healthcare products for its clients.

For Future View

Looking into the second half of the financial year, the traditional low season of the year, the Segment will adopt a cautious approach to assess its clients' order books, in order to plan its production activities in a strategic manner. This will allow the Segment to operate with minimized operating costs, and ensure optimal efficiency and cost-effectiveness. In addition to production planning, the Segment will also maintain its focus on cost control, aiming to retain its current margin level despite challenges posed by the low season.

Expanding the customer portfolio is another key goal for the Segment. By targeting the growing sectors, the Segment aims to attract new clients and further diversify its revenue streams. In particular, the Segment will allocate additional resources to the newly-developed healthcare business, recognizing its potential for growth. The Group will also nurture existing client relationship by providing excellent service and support, as an attempt to foster loyalty, raise order book visibility, and seek new opportunities on project collaborations.

On the other hand, in response to clients' growing needs of a diversified and agile production setup, the Segment intends to gradually expand its production capacity at the Malaysia site. This strategic expansion will enable the Segment to cater clients' needs, while offering the Segment a stronger foothold in regional markets, that would facilitate new client acquisition and new order intake.

Overall, the Segment is committed to prudent financial management, specific market expansion, existing relationships management, and product and manufacturing innovations. These strategies will contribute to the Group's long-term growth and profitability, as well as future success.

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 research and development ("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 Segment continued to see long-tailed effects from previous supply chain disruptions. Branded partners have accumulated high inventories amid rising logistics costs during the pandemic, yet general consumer sentiment remained weak in the post-pandemic times, as a result of high interest and inflation rate, poor investment returns, and limited economic visibility. This in turn, has led to a slow product throughput, with branded partners reducing or delaying new orders, as well as postponing new product launch. As a result, overall sales volume of the Segment decreased YoY across all sectors, with external turnover for the Period also decreasing by 16.9% YoY to HK$319,956,000 (1H FY2023: HK$384,987,000).

In view of the decrease in orders, the Segment further adjusted its production schedule and inventory level to better manage its cost and cater the needs of its customers. During the Period, the Segment has also benefitted from the slight decrease in raw materials price and the depreciation of RMB. However, utilization rate was significantly affected by the decrease in sales volume, leading to a notable diseconomy of scale. Despite the best effort in cost control and resources consolidation, the segment results for the Period was HK$152,000 (1H FY2023: HK$33,413,000).

On a more positive note, the Segment saw improving contributions from Electric Parking Brake ("EPB") motors during the Period, with revenue reporting an increase of approximately 30% YoY despite challenging macro conditions. This highlights the Segment's technical edge and innovative solutions, as well as growing market recognition from major players. As EPB generally has a higher set of requirements for its components, this would also translate into better margins, especially when EPB gains further traction and orders from the market.

For Future View

Recently, the European Union further revised down its economic forecast from the 1% projected in spring, to 0.8% for the entire 2023. Whereas in the United States ("U.S."), retail sales also fell for the first time in seven months in October 2023, according to the Census Bureau of the Commerce Department, signalling weaknesses and generally slowing demand. In face of the difficult consumer market, the Segment will remain cautious by implementing a string of cost control measures, including closely monitoring inventory level, consolidation of production facilities between different sites, improving utilization of staff etc. The Segment will also maintain its agility in production, in order to cater the changing demands and growing uncertainties in the market.

In the past, the Segment adopted a volume driven approach by producing homogeneous products and sold them at a competitive price in order to quickly establish market position. However, the recent experience of contracting orders further reinforced the need of R&D investments. Hence, the Segment commenced product co-development for some of its niche and new clients, including gear box and large-size motor etc, which command a better selling price and margin. Looking ahead, the Segment will continue to invest in R&D, and will look to leverage its successful track record to realize further collaboration opportunities with various brands, particularly in the electric vehicle sector. The move should not only bring additional revenue streams to the Segment, but also improving order stability, visibility, and stickiness from its customers.

On its manufacturing setup, the Segment will continue to pursue its "China Plus One" long-term expansion plan, by closely communicating with existing clients on their needs of overseas expansion. Leveraging its well-established Malaysia production site, the Segment will also explore more potential clients in regional markets, tapping into new applications while diversifying its country and industry-specific risks.

OPERATIONAL REVIEW

Non-manufacturing Business

Real Estate Development Business Segment

During the Period, the Segment continued to own two residential property development projects in Dushan Economic Development Zone, namely *The Royale Cambridge Residences* and *The Jardin Montsouris*.

Despite a series of stimulus measures from the Chinese government, there was little sign of a recovery for the troubled property market. On the supply side, property investment in the country fell by 9.1% for the first nine months of the calendar year, according to the National Bureau of Statistics of China ("NBS"). The growing concerns about potential defaults of a few property giants in the Mainland during the year to date, along with heightened credit risk for the entire sector, have weighed on the already struggling property industry. This was aggravated by the high youth unemployment rate and a broader economic slowdown in China that further dented homebuyers' confidence and dragged on the recovery of the sector. Under the sluggish market conditions, the Segment recorded a loss of HK$2,496,000 during the Period (1H FY2023: HK$193,975,000). The significant decline in loss is mainly due to the absence of the one-off write-down loss arising from the Group's decision to discontinue the further development of the Shelved Phases (i.e. Phase 1B, 1C & 1D of *The Jardin Montsouris*) disclosed in the Company's 2023 interim report.

The Royale Cambridge Residences

With a total site area of approximately 83,166 sq.m., the project is divided into two phases. As of 30 September 2023, the completed gross floor area ("GFA") of the residential properties of the first phase for sale was 35,338 sq.m., comprising 116 units of villa, with the second phase development under further reconsideration and planning amid the challenging economic condition. During the Period, 1 unit of the villa was sold, bringing the total number of sold villas to 49 as of 30 September 2023.

The Jardin Montsouris

With a total site area of approximately 66,666 sq.m., the Segment is currently on course to complete its Phase 1A development, which comprises a total of 460 units of apartments with a total GFA of 64,427 sq.m. for sale. As of 30 September 2023, approximately 61% of 460 units of apartments developed under Phase 1A were contracted for sale. However, as the Segment has not received the final acceptance certificates for such a project, the contracted sales were not able to be recognised as revenue during the Period.

In consideration of the dim outlook, the Segment has discontinued the further development of the Shelved Phases during the last financial year, comprising a land area of 45,869 sq.m., with 275,867 sq.m. of the GFA of the properties yet to be developed. On account of such a decision, the whole finance, development, and construction costs (except for the related land parcel which value was assessed and appraised in accordance with the relevant valuation conducted by an independent valuer) attributable to the Shelved Phases were fully written off in the last financial year, and are not expected to have a further cost impact on the Segment's future performance.

For Future View

Apart from the potential default risks from property giants, fast and consecutive drops in home prices are also impacting homebuyers' spending. According to the latest statistics from NBS, new-home prices (excluding state-subsidized housing) in 70 cities fell 0.3% month-on-month in September 2023, the steepest month-on-month drop since October 2022. Moody, one of the leading rating agencies, reported in September 2023 that contracted sales were expected to fall around 5% over the next six to twelve months and the impact of "recently strengthened policy support" by the government would be short-lived, and suggested that economically weaker cities in China are expected to experience the biggest drop in property sales. Being one of the underprivileged regions in China, Dushan County of Guizhou Province makes it hard to be resilient to the current property market headwinds.

Due to the pandemic and the recent industry slump, sales of the property units of the two real estate projects remain difficult, despite the initial section of the Guiyang-Nanning high-speed train station commencing operation in August 2023. In view of the recent sales performance, the Segment continues to complete the remaining minor construction work and auxiliary works of Phase 1A of *The Jardin Montsouris*, and seeks to secure the relevant final acceptance certificates. Same as mentioned in the Company's 2023 annual report, the Segment will continue its efforts to sell the remaining property units to individual end-users, while exploring the possibility of realising the projects as a whole for reasonable consideration.

OUTLOOK

Looking into the major markets' performance, the Group is expecting a challenging second half, but a gradual recovery in 2024 and onwards. In the U.S., according to a report from the Congressional Budget Office, it is expected that consumer spending will suffer in late 2023 as a result of rising interest rates, tightening lending standards and diminishing support from savings during the pandemic. Yet, consumer market is expected to enjoy a rebound, with real consumption spending expected to increase by 1.1% in 2024, and 2.0% in 2025. In Europe, it also expects an uptick to 1.2% and 2.9% growth for its advanced and emerging economies in 2024, respectively, during its latest press briefing.

In view of the gradual recovery and reducing channel inventories, the Group will actively reach out to its existing customers to secure orders. Leveraging its established client network and growing Malaysia presence, the Group will also raise its client acquisition effort, in an attempt to reignite revenue growth and drive better production utilization. On product development, the Group will continue to dedicate more effort to its EPB motors, as well as other new products from the juvenile and baby care products sector and healthcare sector, in order to drive margin enhancement.

The Group will also cautiously manage its working capital, and continue to adopt stringent cost control measures to retain cash in case of any upcoming uncertainties. Meanwhile, the Group will also periodically review its asset portfolio, and keep a keen eye on monetisation opportunities for its non-core resources, allowing it to consolidate resources for future R&D investment and market penetration.

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 2023, the Group had time deposits of HK$43,232,000 (31 March 2023: HK$10,006,000), cash and bank balances of HK$139,029,000 (31 March 2023: HK$203,372,000), and net current assets of HK$286,415,000 (31 March 2023: net current assets HK$257,905,000). As at 30 September 2023, shareholders' equity was HK$1,097,393,000 (31 March 2023: HK$1,104,685,000). Total consolidated banking facilities of the Group from all banks as at 30 September 2023 amounted to approximately HK$472,878,000 (31 March 2023: HK$548,486,000). As at 30 September 2023, total bank borrowings amounted to HK$288,275,000 (31 March 2023: HK$351,265,000).

As at 30 September 2023, the current ratio of the Group (current assets divided by current liabilities) was maintained at 1.36 times (31 March 2023: 1.31 times) and the gearing ratio of the Group (total bank borrowings divided by total equity) was 26.3% (31 March 2023: 31.8%).

CAPITAL STRUCTURE

As at 30 September 2023, the total issued share capital of the Company was HK$43,896,000 (31 March 2023: HK$43,896,000), comprising 438,960,000 (31 March 2023: 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

Out of the Group's other borrowings amounting to HK$24,201,000 as at 30 September 2023 (31 March 2023: HK$27,882,000), HK$15,201,000 (31 March 2023: HK$12,882,000) were secured by certain properties under development and certain completed properties held for sale in an aggregate amount of HK$23,775,000 (31 March 2023: HK$19,651,000).

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 ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND CAPITAL ASSETS

As reported in the 2023 annual report and the announcements of the Company dated 24 March 2023, 29 March 2023, 19 April 2023, and 25 April 2023 and the circular dated 31 May 2023, the Group has entered into a transaction to dispose of the land use rights of the lands (comprise three parcels of land situated at Huang Hua Yuan Industrial Area, Tai Ping Town, Shixing County, Shaoguan City, Guangdong Province, the PRC (the "Lands")) and the erection, construction, machinery, and other relevant assets on the Lands under the Three-old Renovation. The asset disposal transaction was completed on 27 April 2023. The Group recorded a net gain on the asset disposal transaction before tax of approximately HK$62,974,000 for the Period.

Saved as disclosed above, there was no material acquisition or disposal of subsidiaries during the Period.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2023, the Group employed around 3,800 full-time employees, of which less than 70 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 2023 (1H FY2023: 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") 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 2023. 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 2023.

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 2023 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 2023

As at the date of this announcement, the Board comprises seven Directors, of which four are executive Directors, namely Mr. CHENG Chor Kit, Mr. LIU Tat Luen, Mr. CHENG Tsz To and Mr. CHENG Tsz Hang and three are independent non-executive Directors, namely Mr. WONG Chi Wai, Mr. CHEUNG Wang Ip and Mr. CHAN Yim Por Bonnie.