



**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)

[For immediate release]

**KIN YAT HOLDINGS LIMITED**  
**Announces Interim Results for the Six Months Ended 30 September 2021**

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**Turnover Increased by 1.8% to HK\$1,364.8 million**  
**Proactively Explore New Business Opportunities and Maintain Market Competence**

**Financial Highlights:**

- Turnover mildly increased 1.8% YoY to HK\$1,364,779,000 (1H FY2021: HK\$1,340,004,000).
- Gross profit decreased 9.4% YoY to HK\$168,658,000 (1H FY2021: HK\$186,066,000)
- Gross profit margin decreased 1.5 percentage points YoY to 12.4%
- Profit attributable to equity holders of the Company decreased by 15.6% YoY to HK\$76,274,000 (1H FY2021: HK\$90,378,000)

Hong Kong, 30 November 2021 - **Kin Yat Holdings Limited (00638.HK)** (the "Company"), together with its subsidiaries (collectively, the "Group"), which is principally engaged in robotics, juvenile products, smart products and motor-driven products, announced its unaudited consolidated results for the six months ended 30 September 2021 (the "Period" or "1H FY2022"). The Group was able to enjoy a rise in order volume, as overseas customers raised their inventory level to cater for the surge in demand amid a steady economic recovery as the vaccination rate continued to rise across countries, with economic activities slowly adjusting to the new normal. Despite the fact that the increase in order was somewhat overshadowed by sea freight and logistics disruptions, which severely impacted overseas shipments and order fulfilment, the Group's turnover during the Period mildly edged up 1.8% YoY to HK\$1,364,779,000 (for the six months ended 30 September 2020 ("1H FY2021"): HK\$1,340,004,000).

As economies emerged from lockdowns, energy and raw material prices soared considerably, and the growing difficulties in logistics have also led to a rising transportation cost. On the backdrop of rising operating costs, together with the absence of COVID-19 pandemic relief measures, including temporary financial support under the Employment Support Scheme in Hong Kong and a short-term relief on insurance and housing fund contributions promulgated in the PRC, despite the Group's best effort in strengthening its cost containment and optimising its procurement strategies, gross profit for the Period decreased 9.4% YoY to HK\$168,658,000 (1H FY2021: HK\$186,066,000), with gross profit margin decreasing from 13.9% to 12.4% over the year. Profit attributable to equity holders of the Company decreased by 15.6% YoY to HK\$76,274,000 (1H FY2021: HK\$90,378,000).

**Electrical and Electronic Products Business Segment**

During the Period, as the global economy continued its recovery from the lingering COVID-19 impact, consumers have slowly adapted to the new normal, placing a much stronger emphasis on "stay-at-home" activities and hence, the associated product and service needs. Riding on such development, the Segment recorded a moderate increase in revenue from juvenile products and baby care products sector. However, such increase was partially offset by the Segment's strategic customer portfolio adjustment, which has led to a decrease in orders from the robotics sector. Overall, external turnover of the Segment for the Period slightly decreased by 3.9% to HK\$801,883,000 (1H FY2021: HK\$834,214,000).

Since the beginning of 2021, the associated production and order fulfilment costs surged significantly mainly attributable to raw material shortages and international logistics disruptions, and such a cost pressure was further intensified by the Renminbi appreciation. These, combined with the absence of COVID-19 pandemic relief measures (including temporary subsidies or grants and short-term relief on expenses), during the Period as compared to the corresponding period of last year, have resulted in a 40.7% YoY decrease in the Segment's operating profit to HK\$53,341,000 (1H FY2021: HK\$89,979,000).

With an aim of enhancing the Segment's profit margin, the Segment has undergone a business transformation to grow its customer base through the strategic customer portfolio adjustment involving the ending of the service contract with the Significant Customer in exchange for greater opportunities for future development. This allows the Segment to free up additional production capacity for other existing customers including those in the juvenile products and baby care products sector, while also opening up to new customers. To this end, the Segment has successfully explored and engaged a large number of pipeline customers at various stages of development ranging from contract terms negotiation to admission as new customers. Along with this strategic customer portfolio adjustment, the Segment has been actively further developing and expanding its OEM+ services to customers by leveraging off its credentials as the largest manufacturer of robotic vacuum cleaners in the world, strong R&D and manufactory capability so as to create added value for customers. Through the strategic customer portfolio adjustment, the Segment will be less restricted in developing its business and the Segment is confident that it will maintain its strong growth momentum, and deliver promising results in the near future.

On a longer time horizon beyond the COVID-19 pandemic, the Segment believes that the medical and healthcare products sector, which is relatively stable with a higher entry barrier, can enhance its overall profitability. After the successful launch of its own branded face mask, the sector has been actively exploring the possibility to collaborate with different players on new projects, and was able to secure a new client during the Period. Supported by the Segment's outstanding qualification, good track record, and strong manufacturing experience and facility, it is expected that the project will be kicked off in FY2023, and enter mass production in the next financial year.

For future view, the Segment will continue to diversify its production base geographically with a "China Plus One" strategy to answer the needs of most of our overseas customers. The Segment will commission a production facility in Malaysia in the ensuing financial year, in order to yield maximum production efficiency and flexibility, allowing the Segment to penetrate regional markets and provide the most competitive solutions to its customers. Despite the varying order contributions from each of the new customers, which could potentially lead to sales volatility in the short term, the Segment remains optimistic over their prospect in the medium-to-long-term and will look to introduce new products and competitive solutions to secure additional orders and further market shares in the future.

**Motors Business Segment**

The growing penetration, as well as the increasing effectiveness of pandemic control measures, have since revived consumer sentiment and product demand. As people gradually adapted to the new normal, new phenomenon such as the stay-at-home economy also became increasingly prevailing, and that has driven the demand for the Segment's motor products.

In particular, the pandemic has led to new opportunities for home appliances and toys, as consumers spent more time at home, became increasingly hygiene-oriented, while placing a growing emphasis on living qualities. All that have contributed to the solid demand for the Segment's motor products. Compounded by the Segment's effort on product R&D, in which the Segment was able to provide higher ticket-price, premium products, such as mid-to-large size motor and other sophisticated motors, to match customers' latest product development, external turnover of the Segment reached HK\$562,896,000 (1H FY2021: HK\$505,790,000) during the Period, representing an 11.3% increase YoY. However, due to global supply chain disruptions, raw material prices and transportation costs have also increased significantly during the Period, gross profit and gross profit margin still recorded a slight decline YoY, on the backdrop of cost pressure brought by Renminbi appreciation. Yet, riding on the expanding business scale, the Segment was able to achieve a lower operational gearing, and together with the reversal of provision for credit losses during the Period, the Segment was able to offset the decrease in gross profit, with

Segment profit reaching HK\$48,850,000 (1H FY2021: HK\$41,893,000), representing a YoY increase of 16.6%.

Looking ahead, particularly in light of the rising cost pressure brought by the recent increase in the minimum wage in the PRC in the Guangdong Province, the Segment will continue to maintain active communication with suppliers and customers to ease raw material and order fulfilment concerns, and adjust its production schedule in real-time to provide customers with best-in-class services. Geographically, the Segment will also actively reach out to potential customers in the ASEAN region, such as Thailand and Vietnam, where quarantine measures started to loosen and COVID-19 became increasingly under control, in order to broaden its revenue stream and resist cyclical risks. After years of input and investment, the Segment's high-ticket products enjoyed a solid market demand and is now entering a mature stage, laying the foundation for market penetration and margin expansion. The Segment will continue its effort on R&D, and will look to develop more powerful, yet quieter, lighter and energy-saving motors to expand its product portfolio and satisfy changing market needs.

**Mr. Cheng Chor Kit, the Chairman and CEO of the Company** commented, "Although COVID-19 vaccines are expanding in coverage and improving in quality, the pandemic continues to bring lingering uncertainties to the global economy. In order to be resilient under the uncertain situation, the Group will take proactive measures to maintain a healthy financial position:

- (1) adopt a stringent cost control in labour and logistics, in order to ease the Group's cost pressure and to ensure a stable profit margin;
- (2) continue to evaluate the Myanmar investment plan, as well as other possible options, as an attempt to further expand its manufacturing solutions; and
- (3) continuation of R&D work to enhance product portfolio and features while increasing its automation level to reduce reliance on labour and improve the overall gross profit margin.

Despite the strong headwinds, the Group is confident to gradually expand its footprint and increase its market share, thus creating greater values for its stakeholders."

- End-

## Financial Highlights

Six months ended 30 September

|  |                                    | <b>2021</b>     | 2020          |               |
|--|------------------------------------|-----------------|---------------|---------------|
|  |                                    | <b>HK\$'000</b> | HK\$'000      |               |
| Turnover   |                                    |                 |               |               |
|  | Electrical and electronic products | <b>801,883</b>  | 834,214       |               |
|  | Motors                             | <b>562,896</b>  | 505,790       |               |
| <br>   |                                    |                 |               |               |
| Net profit attributable to equity holders of the Company |                                    | <b>76,274</b>   | 90,378        |               |
| <br>   |                                    |                 |               |               |
| Segment results  |                                    |                 |               |               |
|  | Electrical and electronic products | <b>53,341</b>   | 89,979        |               |
|  | Motors                             | <b>48,850</b>   | 41,893        |               |
|  | Real estate development            | <b>(7,020)</b>  | (21,224)      |               |
| <br>   |                                    |                 |               |               |
| Earnings per share                                       | -                                  | Basic           | HK17.38 cents | HK20.59 cents |
|  | -                                  | Diluted         | HK17.38 cents | HK20.59 cents |

### About Kin Yat Holdings Limited

Kin Yat Holdings Limited (00638.HK) is an industrial enterprise specialising in the technology-driven production of electrical and electronic products, including robotics, juvenile products and smart products, along with a diverse portfolio of motor drives and related products. The Group is also engaged in certain real estate development projects in Guizhou Province, the People's Republic of China.

This press release is issued by DLK Advisory Limited on behalf of **Kin Yat Holdings Limited**.

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