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 2022

*** * ***

Turnover Reached HK$697 million Amidst Global Uncertainties
Continue Gradual Expansion in Southeast Asia to Cater the Needs of "China Plus One" Solutions

Financial Highlights:

- Turnover decreased 48.9% YoY to HK$697,224,000 (1H FY2022: HK$1,364,779,000).
- Gross profit decreased 47.6% YoY to HK$88,448,000 (1H FY2022: HK$168,658,000).
- Gross profit margin slightly edged up 0.3 percentage points YoY to 12.7%
- Loss attributable to equity holders of the Company was HK$155,607,000 (1H FY2022 Profit attributable to equity holders: HK$76,274,000).

Hong Kong, 29 Nov 2022 - **Kin Yat Holdings Limited (00638.HK)** (the "Company"), together with its subsidiaries (collectively, the "Group"), which is principally engaged in robotics, motors and smart products manufacturing, today announced its unaudited consolidated results for the six months ended 30 September 2022 (the "Period" or "1H FY2023"). During the Period, the lingering COVID-19 and reoccurring lockdowns in the People's Republic of China"("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, the Group's overall turnover for the six months ended 30 September 2022 recorded a year-on-year ("YoY") decrease of 48.9%, from approximately HK$1,364,779,000 to HK$697,224,000.

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 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.

Real Estate Development Business Segment

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 in Dushan 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.

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. 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.

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.

Electrical and Electronic Products Business Segment

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. Overall, 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 to develop smart and sophisticated healthcare products. Meanwhile, the Segment also remain optimistic about the long-term potential of the juvenile and baby care products sector and the smart products sector.

Looking forward, 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

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 2022: 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 sales revenue and 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 FY 2022: HK$48,850,000).

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.

Mr. Cheng Chor Kit, the Chairman and CEO of the Company said, "Since 1981, Kin Yat has been striving for excellence through countless ups and downs. With its wealth of experience and management expertise, the Group will counter the difficult operating environment with the following strategies:

(1) remain cautious and agile in managing production schedule and cost structure;
(2) continue to execute marketing plan to drive future growth;
(3) continue the R&D investment to enhance product quality and launch new and higher value products;
(4) gradually expand the capacity in the Malaysia production base and tapping into another location in Southeast Asia, catering the needs of "China Plus One" solutions;
(5) evaluate and rebalance production resources in the PRC to further improve cost efficiency and prepare for new orders;

By adopting the aforesaid strategies, the Group is committed to overcome the obstacles once again, allowing it to deliver long-term values to its stakeholders in the future"

- End-

Financial Highlights

	Six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
Turnover		
Electrical and electronic products	**310,919**	801,883
Motors	**384,987**	562,896
Real estate development	**1,318**	-
(Loss)/profit attributable to equity holders of the Company	**(155,607)**	76,274
Segment results:		
Electrical and electronic products	**18,897**	53,341
Motors	**33,413**	48,850
Real estate development	**(193,975)**	(7,020)
(Loss)/earnings per share - Basic	**HK(35.45) cents**	HK17.38 cents
- Diluted	**HK(35.45) cents**	HK17.38 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**.

For enquiries, please contact:

DLK Advisory 金通策略
Rachel Chung (rachelchung@dlkadvisory.com)
Kathleen Mui (kathleenmui@dlkadvisory.com)
Agnes Liu (agnesliu@dlkadvisory.com)

Tel：+852 2857 7101

Fax：+852 2857 7103