



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 Annual Results for the Year Ended 31 March 2021

* * *

Gross Profit Margin Increased by 1.2 percentage points to 11.9%
Proactively Explore New Business Opportunities and Maintain Market Competence

Financial Highlights:

- Turnover decreased 13.5% YoY to HK\$ 2,693,865,000 (2020: HK\$3,114,221,000).
- Gross profit decreased 4.1% YoY to HK\$319,645,000 (2020: HK\$333,341,000).
- Gross profit margin improved 1.2 percentage points YoY to 11.9%
- Profit attributable to equity holders of the Company decreased by 39.1% YoY to HK\$103,626,000 (2020: HK\$170,049,000).

Hong Kong, 30 June 2021 - **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 audited consolidated results for the year ended 31 March 2021 (the "Year"). The outbreak of the COVID-19 pandemic, coupled with the geopolitical tension, brought about significant, cross-industry and unprecedented impact to the global economy. Compounded by the social distancing measures and pessimistic market outlook, this has led to sluggish consumer demand.

As a result of the conservative orders and delayed shipment scheduling, the Group's turnover during the Year recorded a year-on-year ("YoY") decrease of 13.5%, from approximately HK\$3,114,221,000 to HK\$2,693,865,000. Yet, the Group was proactive in implementing a series of stringent cost control measures during the Year, including its efforts in stabilising raw materials cost and labour cost, as well as continuing the diversification and optimisation of product mix. Although overall gross profit decreased from HK\$333,341,000 of last year to HK\$319,645,000 of this Year due to lower turnover scale, gross profit margin improved 1.2 percentage point to 11.9%, riding on the Group's genuine efforts in maintaining a lean structure and in enhancing product mix even facing the fluctuations in raw material prices and appreciation of RMB. In addition, profit attributable to equity holders of the Company recorded a decrease of approximately 39.1% YoY from HK\$170,049,000 to HK\$103,626,000, mainly attributable to the combined effects of: (1) the absence of one-off gain of approximately HK\$16,842,000 and HK\$31,416,000 on disposal of the properties and of the subsidiary of the Group in Hong Kong recorded during the last financial year respectively; (2) increase in other income which is more than offset by the decrease in the operating profit of our manufacturing business segments due to the appreciation of RMB against the dollar particularly during the second half of the Year and the decrease in purchase orders from our major customer in the Electrical and Electronic Products Business Segment during the Year; and (3) the impairment loss from changes in fair value of our first real estate development project, namely *The Royale Cambridge Residences* in Dushan County, of approximately HK\$16,938,000, recorded during the Year (2020: HK\$229,000). Basic earnings per share for the Year were HK23.61 cents (2020: HK38.74 cents).

Electrical and Electronic Products Business Segment

This segment's production centres in the PRC resumed operation in February 2020, allowing the segment to seize the opportunity of uprising orders for juvenile products and baby care products, particularly arising from the stay-at-home economy. Turnover from these two sectors recorded a significant increment. However, this positive impact on the turnover arose from the said increase in orders was more than offset the strategically planned reduction in orders from a significant customer and the order postponement or reduction from other customers amidst the COVID-19 pandemic. Therefore, external turnover of this segment decreased by 25.5% to HK\$1,639,837,000 in the Year (2020: HK\$2,202,402,000), while this segment remained the major contributor to the overall turnover and accounting for 60.9% of the Group's turnover.

In view of the effects of concentration on a number of major customers, the segment has been devoted to implementing multiple strategies to enhance its profitability, ranging from directing product portfolio towards a higher margin and more diversified structure, to enhancing cost-effectiveness, and optimising labour efficiency. While the segment's product portfolio has been under reshuffle to become more flexible and diversified mix, it can, in the short run, balance the production schedule, while in the long run, better utilise existing production capacities and enhance the adoption of automation in production, and hence, enhance the segment profit. On the other hand, since the latter part of 2020, the price of several raw materials has been on an upward trend and their supply has been impacted. In face of the situation, the segment took active measures by effective communication with clients, ongoing localisation and diversification of suppliers, to maintain a comparatively steady supply in raw materials. Positive responses have been received from clients in terms of adjustment on product price and delivery time. As such, segment operating profit decreased by 14.6% to HK\$138,447,000 during the Year (2020: HK\$162,172,000).

Robotics sector

In consideration of the planned reduction in orders from a significant customer, as well as the minimising room for further cost improvement of particular products for the Year, turnover contribution of the sector is likely to become more conservative. In light of the development of our business relationship with the significant customer in this sector, the segment continues to leverage its existing network, extensive industry experience and long-term partnership with internationally renowned consumer electronic products brands, to further diversify and expand its customer base to achieve sustainable growth.

Juvenile products and smart products sectors

Due to worsening market sentiment arisen from the impact of COVID-19 pandemic, during the Year, the demand of certain product lines were inevitably impacted, and the development of some new projects was slightly delayed. However, the segment's diversified product portfolio was able to mitigate the impact from these factors, thanks to the rising orders benefited from the stay-at-home economy, with baby gears and juvenile STEAM education products becoming the major growth drivers of the segment. And due to the accelerating order demands, the sector continued to benefit from introduction of new product generations from existing clients, as well endeavoured to establish a good mix of new clients.

Medical and healthcare products sector

The Group believes that face mask production would well be served as the first step of the Group's strategic planning in tapping into the medical and healthcare products sector, a sector with higher entry barrier. In November 2020, a subsidiary company of the Group was successfully granted the Medical Device Registration Certificate and the Medical Device Production Licence from the Guangdong Medical Products Administration of the PRC, which has laid a solid foundation for the Group to develop new products, expand its sales channels and broaden customer base in the medical and healthcare areas, especially in medical disposables products. Being a reputable and efficient manufacturer together with our existing ready-to-go production lines, the sector has gained some opportunities to engage in initial discussion with different players in the industry for new projects co-operation. To support the sustainable development of the sector, the Group will prudently place more available resources and production capabilities on the development of new products in an orderly fashion, with the aim of further diversifying its macro and geopolitical risks.

Going forward for this Segment, the Group believes that as geopolitics bring changes to the market, the geographical diversification of production centre would be essential to expand the Group's production networks, ease the impact of geopolitical tensions, and even bring new business opportunities arising from greater market exposure. The long-term strategy of diversifying production base to countries outside of the PRC, and in particular, to Southeast Asian countries, remains in the pipeline. In late 2021, a few production lines dedicated to this Segment for simple assembly will be set up in Malaysia. Given its proximity with other production facilities of the Group and the maturity of its infrastructure, the new production lines will be a good support to the Group's capacity to gain trust and capture orders from global brand customers. With the market expecting an upward trajectory on raw material prices in 2021, the Group will also strengthen its ongoing communication with suppliers, and strategically secure sufficient inventories of key raw materials in order to ensure a stable supply and reduce the burden on segment's profit.

Motors Business Segment

Although sectors' performance varied amid the COVID-19 pandemic, the segment, as a whole, achieved outstanding results. The pandemic's consequential city lockdown and economic downturn in 2020 have significant impact to the usual pattern of both supply and demand sides, leading to more conservative orders from automobile, which were overweighted by the escalation on orders the office automation equipment and household appliance sectors who captured the opportunities from the everchanging buying patterns and consumer demand arisen from the work-from-home measures and the replacement demand induced by product generation upgrades through technological advancement. As a result, the segment, saw boosted demand for consumer products, including but not limited to home use printers and household cleaning appliances.

Overall, despite the challenging operating environment, the segment managed to record a continuous growth in revenue. Its external turnover increased by 25.3% to HK\$1,048,551,000 (2020: HK\$836,745,000). However, gross profit and gross profit margin decreased during the Year, mainly attributable to the increased operation efficiency and continuous effort in automation, which were more than subtracted by the inflation of RMB and the impact from the rising cost of raw materials. Segment profit was HK\$55,994,000, representing a 23.3% YoY increase (2020: HK\$45,410,000).

Mr. Cheng Chor Kit, the Chairman and CEO of the Company said, "As the uncertainties geopolitical tension, macro economy and development of the COVID-19 pandemic situation remains, the Group will continue to adopt prudent measures in its operation while cautiously planning for the long run by implementing following strategies:

- (1) diversify its manufacturing solutions in the Southeast Asia, in order to cater for the demand of overseas customers. The pandemic has reaffirmed such stance, as it could effectively alleviate the Group's regional risk and diversifying the business;
- (2) continue to diversify its customer portfolio, particularly the industries less susceptible to economic cycles, like healthcare products, to reduce its product concentration risk. Besides, as certain other manufacturers exit the market due to the financial pressure from the pandemic, this has also brought market consolidation opportunities, in which Kin Yat will leverage its reputation in the OEM industry and take mindful steps to increase its market shares;
- (3) expand and develop business and clientele through continuously enhancing its R&D capabilities and product quality; and
- (4) continuation by improving its automation level and adopting a stringent cost control policy.

Looking ahead, the Group will maintain prudent and act cautiously according to the aforesaid strategies, delivering long-term values to its stakeholders and shareholders under such challenging environment."

- End-

Financial Highlights

For the Year ended 31 March
2021 2020
HK\$'000 **HK\$'000**

Turnover		
Electrical and electronic products	1,639,837	2,202,402
Motors	1,048,551	836,745

Net profit attributable to equity holders of the Company	103,626	170,049
--	----------------	---------

Segment results:		
Electrical and electronic products	138,447	162,172
Motors	55,994	45,410
Real estate development	(24,989)	(1,574)

Earnings per share	-	Basic	HK23.61 cents	HK38.74 cents
	-	Diluted	HK23.61 cents	HK38.74 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)

Tel : +852 2857 7101

Fax : +852 2857 7103