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 2023

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Consolidated production resources to drive efficiency and margin enhancement

Financial Summary:

- Turnover decreased 47.8% year-over-year (YoY) to approximately HK$1,209,602,000 (FY2022: HK$2,316,315,000)
- Gross profit (before impairment) decreased 48.4% YoY to HK$126,665,000 (FY2022: HK$245,532,000)
- Gross profit margin (before impairment) maintained at 10.5% (FY2022: 10.6%)
- Gross loss (after inclusion of non-recurring and non-cash impairment losses) was HK$164,203,000 (FY2022: Gross profit HK$245,532,000)
- Loss attributable to equity holders of the Company was HK$294,169,000 (FY2022: Profit of HK$56,858,000)

Hong Kong, 30 June 2023 - **Kin Yat Holdings Limited** (00638.HK) (the "Company"), together with its subsidiaries (collectively, the "Group"), which principally engages in robotics, motors and smart products manufacturing, today announced its audited consolidated annual results for the year ended 31 March 2023 (the "Year" or "FY2023"). FY2023 represents yet another challenging year for the Group as a result of the harsh operating environment. On the one hand, the sustained lockdowns in China have created notable pressure on labour availability, raw material supply, production efficiency, and export logistics. Meanwhile, the Russia-Ukraine conflict also triggered a reshuffle in the global supply chain, leading to a surge in commodity prices. The uncertainties, compounded by rising interest rates and inflation, have together made global consumers prioritising savings and necessities instead of purchases. As a result, brand owners in United States of America ("U.S.") and Europe became more prudent in new product development and placing orders, leading to a decrease in sales volume, especially for the Group's Electrical and Electronic Products Business Segment. Hence, the Group's overall turnover during the Year decreased by 47.8% year-over-year (YoY), from approximately HK$2,316,315,000 to approximately HK$1,209,602,000.

To counter the impact of a decreasing order book, the Group swiftly streamlined its operations in order to maintain efficiency and margins. Such measures include a stringent control on indirect expenses, such as consolidating its production bases to reduce overheads, as well as monetising some idle, non-core assets to boost cash level. As a result, overall gross profit (before impairment) decreased 48.4% YoY to HK$126,665,000 for the Year, yet gross profit margin hovered at 10.5% (FY2022: 10.6%). This highlights the combination of improving cost control, efforts on client mix optimisation, supported by the depreciation of Renminbi ("RMB") against the U.S. dollars ("US$") during the Year. However, impacted by the non-recurring and non-cash impairment losses from the Real Estate Development Business Segment and the manufacturing business segments, which amounted to HK$240,078,000 and HK$50,790,000, respectively, the Group reported an overall gross loss (after impairment) of HK$164,203,000 (FY2022: Gross profit HK$245,532,000) for the Year. That translates to a loss for the Year of HK$294,169,000 as compared to a profit for the year of HK$56,858,000 for FY2022. Basic loss per share for the Year was HK67.01 cents (FY2022: Basic earnings per share HK12.95 cents).

Electrical and Electronic Products Business Segment ("E&E Segment")

The turbulent FY2023 has led to a prevailing conservatism among brand owners, particularly those based in Europe and the U.S., where inventory backlog issues have become increasingly pressing. Brand owners understandably reduced their order volume in face of the shrinking demand, and chose to wait for a more welcoming economy before placing orders and developing new products. As a result, external turnover of the Segment decreased by 63.7% to approximately HK$459,846,000 for the Year (FY2022: HK$1,267,957,000), accounting for 38.0% (FY2022: 54.7%) of the Group's overall revenue. Overall segment results were also turned from a profit of HK$37,648,000 in FY2022 to a loss of HK$15,211,000 during the Year.

Despite such challenges, FY2023 is the first year of the Segment, in the absence of a previous significant client, transiting from high single-client contributions with low margins, to a set of diversified clients from various applications that can offer margins at normal market norms. The recently-established healthcare products sector also exhibited promising growth potential despite being in its early stage of development. It has successfully secured several new projects with various clients, including a niche medical product that would further diversify the Group's product offerings. The Group views the sector as a potential diversification and growth driver in the long-term, and intends to leverage its expertise and experience in the Internet of Things to develop innovative and smart healthcare products.

Going forward, while the overall consumer market continues to show hesitation and uncertainties due to the global economic slowdown, the Segment is committed to taking this opportunity to diversify its client base, strengthen its management team, consolidate its production facilities, as well as prudently implement its "China Plus One" strategy, so that it is well positioned to gain more opportunities upon economic recovery. In particular, the Segment consolidated its production facilities in China during the Year, and at the same time, expanded its capacity in Malaysia so as to make good use of the comparative advantages of each country. Given the synchronised infrastructure already in place, it is expected that once the utilisation ramps up, the dual-production across China and Malaysia should yield notable operational efficiency and margin enhancement.

In the long run, the Segment will continue to explore other possible destinations across Southeast Asia that would allow quick regional market penetration and cost-effective production. Leveraging its existing credentials, the Segment will enhance its position particularly in juvenile products and baby care products sector across geographical markets, and allocate more resources to the newly-developed healthcare business to increase scale and market share.

Motors Business Segment ("Motors Segment")

Since the outbreak of COVID-19, various governments imposed relevant restrictions which brought notable changes to people's everyday lives. Compounded by the surging commodities' prices and growing cost of living, demand for home appliances, especially in Europe and the U.S., suffered a drop in sales volume during the Year. In addition, the long-tail effects of the supply chain crisis from COVID-19 and the Russia-Ukraine conflict have also led to soaring inflation during the Year, putting notable pressure on consumer sentiment around the world. Given the contraction in downstream demand, most of the Segment's clients have also decided to adjust their orders to avoid over-investment and excess inventory. Thus, external turnover for the Segment for the Year was HK$745,516,000 (FY2022: HK$1,044,052,000), representing a decrease of 28.6% YoY.

Facing the challenging operating environment, the Segment took swift action to adjust its production schedule, while closely monitoring its inventory level and hedging key raw materials prices and RMB exposure. The Segment also consolidated its two major production facilities in Shixing and Dushan, in an effort to increase overall utilisation rate and production efficiency. Yet, as a result of the consolidation of production facilities and optimisation of product mix, the Segment incurred a significant non-cash and non-recurring impairment on property, plant and equipment of HK$36,714,000 for the Year, which should nonetheless pave the way for a more efficient operation with a reduced depreciation in the coming financial years. Segment results for the Year was HK$322,000 (FY2022: HK$71,350,000).

Benefited from early sales planning, the Segment was able to obtain certain new pipelines and further diversify its product portfolio during the Year. Unlike bare motors which are standardised products, most of the pipelines are potential Motor Plus projects, that represent tailor-made solutions with higher price points. During the Year, its Electric Parking Brake ("EPB") motors received recognition from the market for its good quality on current and noise control. As China is reopening its economy, consumer sentiment is also expected to gradually recover, and the Segment will actively promote its products to more potential clients from the automotive sector, aiming to capture more market shares. Meanwhile, the Segment also continued its R&D investment to support its product diversification strategy, on products such as water pump and automotive door handle, which represent stable business volume and higher price points and margins.

Looking into FY2024, bloated retail inventories and the battle against inflation are likely to continue. To stay competitive in this difficult environment, the Segment will streamline and consolidate its production capacity in China to enhance utilisation and operational efficiency, as well as maintain constant communication with its clients in order to raise order book visibility. It will also continue its stringent cost control measures, and retain a health cash level in preparation of future uncertainties. The "China Plus One" long-term expansion plan will also be prudently evaluated and implemented given its long-term benefits yet heavy investment, as the Segment continues to increase its overall automation level to enhance competitiveness.

Real Estate Development Business Segment

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

In 2022, China's property market remained sluggish. Despite the rollout of a flurry of policies to assist homebuyers and property developers, the market lacks confidence and momentum to recover. The management of the Group made a strategic decision to shelve the further development of Phases 1B, 1C, and 1D of *The Jardin Montsouris* (the "Shelved Phases"), after taking into account the evaluation of the Segment's valuation and prospect. On account of such decision, the whole finance, development, and construction costs attributable to the Shelved Phases in the amount of HK$120,373,000 were fully written off in FY2023. An aggregate impairment loss of HK$119,705,000 of the unsold inventory of the completed properties for sale, and the properties under development with respect to both residential units and commercial properties of the two projects due to diminution in value, were also incurred and recognised in the Year. As a result, after the non-cash and non-recurring impairment provisions, the Segment recorded a loss of HK$257,521,000 during the Year (FY2022: HK$13,503,000).

The Royale Cambridge Residences

During the Year, 4 units were sold, bringing the total number of sold villas to 48 as of 31 March 2023. Out of the 4, 3 units sold were for the settlement and offsetting a part of the outstanding construction and development costs of *The Jardin Montsouris*. Due to the sluggish property market sentiment in Dushan, the prevailing relevant comparable property prices were below the carrying amounts of properties under development and completed properties for sale with respect to both residential units and commercial properties, leading to an impairment loss of HK$48,774,000 (FY2022: Nil) for the Year.

The Jardin Montsouris

The Segment is currently on course to complete its Phase IA development, which comprises a total of 460 units of apartment with a total gross floor area of 64,427 sq.m. for sale upon completion. The Segment proactively negotiated with construction contractors to partly settle the outstanding construction and development costs by selling 34 residential units to the contractors, bringing the aggregate number of residential units contracted for sale to 280, with a total consideration of approximately RMB120,186,000. As of 31 March 2023, approximately 61% of 460 units of Phase 1A were contracted for sale. However, contracted sales were not able to be recognised as revenue, as the final acceptance certificates for such project have not been issued during the Year.

Looking ahead, the Group remains cautious over the outlook of the Segment. In the next financial year, the Segment expects to complete the remaining minor construction work and auxiliary works of Phase 1A of *The Jardin Montsouris*, bringing it to practical completion. It is estimated that the relevant final acceptance certificates will be issued in the third quarter of 2023, and the Segment will continue its efforts to sell the remaining already and soon-to-completed property units, and explore opportunities to realise the projects as a whole for a reasonable consideration while selling property units to individual end-users.

Mr. Cheng Chor Kit, the Chairman and CEO of the Company said, “In light of China’s reopening, the Group will actively extend its customer reach in China, in order to seize the opportunities from subsequent economic recovery with the following strategies:"

1. Leverage its experience and expertise to expand product and application portfolio to gain market share;
2. retain a high cash level for any upcoming uncertainties by cautiously managing its working capital and continue to adopt stringent cost control measures;
3. constantly review its asset portfolio and keep a keen eye on monetisation opportunities for non-core resources; and
4. consolidate resources to support future R&D investment and market penetration.

By adopting the aforesaid strategies, the Group believes it is well-positioned to start a new page for its journey, delivering higher value to its stakeholders.

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Financial Summary

	For the Year ended 31 March 2023 HK$'000	2022 HK$'000
Turnover		
Electrical and electronic products	**459,846**	1,267,957
Motors	**745,516**	1,044,052
Real estate development	**4,240**	4,306
Cost of sales – Impairment		
Electrical and electronic products	**(14,076)**	--
Motors	**(36,714)**	--
Real estate development	**(240,078)**	--
(Loss)/ profit attributable to equity holders of the Company	**(294,169)**	56,858
Segment results:		
Electrical and electronic products	**(15,211)**	37,648
Motors	**322**	71,350
Real estate development	**(257,521)**	(13,503)
Earnings per (loss)/ share - Basic	**HK (67.01) cents**	HK12.95 cents
- Diluted	**HK (67.01) cents**	HK12.95 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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