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 2023

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Raise client acquisition effort, in an attempt to reignite revenue growth and drive better production utilization
Consolidated production resources to drive efficiency and margin enhancement

Financial Highlights:

- Overall turnover decreased by 20.8% year-over-year (YoY) to approximately HK$552,266,000 (1H FY2023: HK$697,224,000)
- Overall gross profit (excluding impairment) decreased 15.4% YoY to HK$74,811,000 (1H FY2023: HK$88,448,000)
- Gross profit margin largely remaining at 13.5% (1H FY2023: 12.7%)
- Profit attributable to equity holders of the Company significantly increased to HK$36,725,000 (1H FY2023: loss attributable to equity holders of HK$155,607,000)
- Basic earnings per share was HK8.37 cents (1H FY2023: Basic loss per share HK35.45 cents)

Hong Kong, 29 November 2023 – **Kin Yat Holdings Limited (00638.HK)** (the "Company"), together with its subsidiaries (collectively, the "Group"), which principally engaged in robotics, motors and smart products manufacturing, today announced its unaudited consolidated interim results for the six months ended 30 September 2023 (the "Period" or "1H FY2024"). 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 from approximately HK$697,224,000 to approximately HK$552,266,000.

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).

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

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. In view of the decision and cost to retain production infrastructure due to post-market recovery, after taking into account of the one-off gain on disposal of property, plant and equipment and right-of-use assets during the Period, overall segment profit recorded an increase of 314.1% YoY, from HK$18,897,000 to HK$78,250,000.

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 recognises such promising opportunity for product diversification and long-term growth, and intends to capitalize on its expertise and experience in the Internet of Things, creating more advanced and value-added healthcare products for its clients.

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 ("Motor Segment")

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 profit for the Period was down to 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.

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 into the second half of the financial year, 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.

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. 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. 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.

Mr. Cheng Chor Kit, the Chairman and CEO of the Company said, "Looking into the major markets' performance, the Group is expecting a challenging second half, but a gradual recovery in 2024 and onwards, 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) Actively reach out to existing customers to secure orders;
(2) Raise client acquisition effort, in an attempt to reignite revenue growth and drive better production utilization;
(3) 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;
(4) Cautiously manage working capital, and continue to adopt stringent cost control measures to retain cash in case of any upcoming uncertainties;
(5) 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.

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 Highlights

	For the six months ended 30 September	
	2023	**2022**
	HK$'000	*HK$'000*
Segment revenue:		
Electrical and electronic products	**231,320**	310,919
Motors	**319,956**	384,987
Real estate development	**990**	1,318
Cost of sales – Impairment		
Real estate development – Impairment of properties under development and completed properties held for sale	**--**	(187,919)
Profit / (loss) attributable to equity holders of the Company	**36,725**	(155,607)
Segment results:		
Electrical and electronic products	**78,250**	18,897
Motors	**152**	33,413
Real estate development	**(2,496)**	(193,975)
Earnings per share/ (loss) - Basic	**HK 8.37 cents**	HK (35.45) cents
- Diluted	**HK 8.37 cents**	HK (35.45) 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 and baby care products, smart products and healthcare 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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