

[For immediate release]

KIN YAT HOLDINGS LIMITED
Announces Annual Results for the Year Ended 31 March 2022

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Motors Segment Recorded an Increase of 27.4% in Profit to HK\$ 71 million
Despite the Emergence of New COVID-19 Variants

Financial Highlights:

- Turnover decreased 14.0% YoY to HK\$2,316,315,000 (2021: HK\$2,693,865,000).
- Gross profit decreased 23.2% YoY to HK\$245,532,000 (2021: HK\$319,645,000).
- Gross profit margin decreased 1.3 percentage points YoY to 10.6%
- Profit attributable to equity holders of the Company decreased by 45.1% YoY to HK\$56,858,000 (2021: HK\$103,626,000).

Hong Kong, 29 June 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 audited consolidated results for the year ended 31 March 2022 (the “Year”). During the Year, a necessary business transformation by strategically reducing the orders from its significant customer of the Electrical and Electronic Products Business Segment has been completed. With the last batch of orders with respect to such significant customer being completed by the third quarter of the Year, the previously occupied production capacity has been released, so that the Group can explore other industries and niche markets to transit from a volume-driven growth to a margin-driven growth strategy. As a result, the Group’s turnover during the Year recorded a year-on-year (“YoY”) decrease of 14.0%, from approximately HK\$2,693,865,000 to HK\$2,316,315,000.

In addition to the decrease in revenue, the prolonged supply chain disruption, along with occasional lockdowns, production interruption, as well as the Renminbi appreciation, have together put pressure on the Group’s gross profit decreased 23.2% from HK\$319,645,000 to HK\$245,532,000, overall gross profit margin decreased 1.3 percentage point from 11.9% to 10.6%. In light of a decline in gross profit, the Group has devoted efforts to rein in costs. Among indirect expenses, administrative expense decreased YoY as no impairment loss on properties under development was recognised in the Year. Selling and distribution expense, however, recorded an increase on elevated transportation costs for delivering products to customers under ever-rising oil price and COVID-19 induced global logistics bottlenecks. Besides, other income and gains also saw a plunge mainly attributable to the absence of certain COVID-19 related grants and subsidies and a fair value loss on investment properties recognised in the Year. As a result, profit attributable to equity holders of the Company decreased 45.1% YoY from approximately HK\$103,626,000 to HK\$56,858,000. Basic earnings per share for the Year was HK12.95 cents (2021: HK23.61 cents).

Electrical and Electronic Products Business Segment (“E&E Segment”)

The Year represents a new beginning for the E&E Segment. With the aim to expand margin and diversify its concentration risk, the Group has started to reduce its single client concentration since 2019. By the end of the Year, the Group has completed its service contract with the significant customer, freeing up the necessary production capacity to tap into new industries and customers that offer higher margin. Hence, despite the short-term decrease in revenue from the robotics sector, the strategic move should yield long-term benefits. Overall, external turnover of this Segment decreased by 22.7% to HK\$1,267,957,000 in the Year (2021: HK\$1,639,837,000), while this Segment remained the major contributor to the overall turnover and accounting for 54.7% (2021: 60.9%) of the Group’s turnover.

Under the customer portfolio adjustment, the Group also freed up additional production capacity and resources for other product categories. With COVID-19 forcing people to change living and working habit, there was development in stay-at-home economy, and that has in turn, increased the demand of the Group’s juvenile products and baby care products. The rising disposable income and parental concerns also support a growing spending on baby and childcare products. Apart from the good performance from the juvenile products and baby care products sector, the Group continued to be benefited from the emerging smart home trend during the Year. Riding on the spread of COVID-19, as well as the Group’s strong research and development (“R&D”) and Internet of Things (“IoT”) capability, the Group was able to introduce new household products, and acquire new customers for its Smart Products sector.

On the other hand, the rise in consumer health awareness has led to a strong growth in health-oriented appliances. The Group sees the medical sector as a new direction for its product diversification and future development. Thus, the sector has been actively exploring the possibility to collaborate with different customers on new projects. During the Year, this Segment has confirmed a number of new projects and mass production of such new projects is scheduled to kick-off in the financial year ending 31 March 2023.

Going forward for this Segment, the Group believes that the reducing reliance on a single customer would free up additional resources, allowing the Segment to explore new products and markets, and shift its positioning from a volume-driven business to a margin-driven business. In particular, the Group will continue to deploy more resources in exploring new products and customers. That includes a gradual shift towards juvenile products and baby care products, and uncover new overseas markets using its Malaysia plant or other overseas setup. The Group is also committed to strengthening its R&D capabilities by investing further in IoT, as the rise of smart home technologies would demand new and better products, which also have higher ticket price and margins. Leveraging its technological know-how and production excellence, the Group will also explore the potential of house brand products.

Motors Business Segment (“Motors Segment”)

Despite the emergence of the Delta and Omicron variant, most developed countries were able to recover, with people slowly resuming normal consumption, especially in the U.S. and Europe. However, the sporadic COVID-19 resurgence has also caused borders and factories to temporarily close down, disrupting raw material supply and goods flow. Facing unprecedented pressure in direct cost including the surging copper price, the Motors Segment had proactively reached out to its customers, and was able to shift the rising cost amid the challenging situation. Nonetheless, due to the limited visibility, customers generally remained prudent when placing orders, and sales volume recorded a minor drop during the Year. As a result, external turnover for the Year was HK\$1,044,052,000 (2021: HK\$1,048,551,000), representing a slight drop of 0.4% YoY. Gross profit margin slightly increased, while segment profit recorded an increase of 27.4% YoY, reaching HK\$71,350,000 (2021: HK\$55,994,000).

Riding on the recovery of the global economy, the Motors Segment has been actively acquiring new customers and developed the gearbox as a new product to diversify its revenue stream. Moreover, the Motors Segment has recruited new R&D team members for the long term development of this product line and category, which has a relatively high unit price and margin than other standard motors. This demonstrated the fact that, by leveraging its long-term business relationship and industry know-how, the Motors Segment was able to seize the opportunity to further satisfy its customer, while expanding its revenue stream and margin in the long run.

Looking ahead, the Motors Segment will closely monitor the price of raw materials, and actively discuss with its suppliers to maintain sufficient inventories at a reasonable price level. To cater the demand of customers, the Motors Segment will also ensure an on-time delivery of goods, and adjust its price points when necessary in order to maintain margin while being competitive. Apart from cultivating the newly-acquired customers, particularly the Motors Segment has actively grown its presence in the European markets by increasing the number of sales and marketing personnel there since last year, the Group will continue to explore different pipelines to further diversify its customer portfolio and enhance its revenue stream. The Motors Segment will continue to invest in R&D to develop more sophisticated products at higher-ticket price, and at the same time, working with existing customers to explore other products to raise customer stickiness and order volume.

Mr. Cheng Chor Kit, the Chairman and CEO of the Company said, “Despite the emergence of the Delta and Omicron variant, most developed countries were able to recover, with people slowly resuming normal consumption. To capture the upcoming market rebound, the Group will stay committed to adopt prudent measures to grasp the market opportunities with the following strategies:

- (1) expand the customer portfolio progressively to satisfy customer needs;
- (2) maintain a healthy financial position by closely monitoring working capital and adopting a stringent cost control measure;
- (3) continue to evaluate the Myanmar investment plan to expand the footprint and diversify manufacturing solutions in the long run;
- (4) improve the core competency by increasing investment in R&D on product enhancement and high value-added products development.

By adopting multiple effective 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 Year ended 31 March
2022 2021
HK\$'000 **HK\$'000**

Turnover		
Electrical and electronic products	1,267,957	1,639,837
Motors	1,044,052	1,048,551

Net profit attributable to equity holders of the Company	56,858	103,626
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Segment results:		
Electrical and electronic products	37,648	138,447
Motors	71,350	55,994
Real estate development	(13,503)	(24,989)

Earnings per share	-	Basic	HK12.95 cents	HK23.61 cents
	-	Diluted	HK12.95 cents	HK23.61 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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