



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 2020

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Gross Profit Margin Increased by 4.4% to 13.9%

Net Profit Increased by 15.3% to HK\$90.4 million

Proactively Explore New Business Opportunities and Maintain Market Competence

Financial Highlights:

- Turnover decreased 28.0% YoY to HK\$1,340,004,000 (1H FY2019: HK\$1,861,015,000).
- Gross profit increased 5.5% to HK\$186,066,000 (1H FY2019: HK\$176,394,000).
- Gross profit margin improved to 13.9% from 9.5%.
- Profit attributable to equity holders of the Company increased by 15.3% to HK\$90,378,000 (1H FY2019: HK\$78,377,000).

Hong Kong, 27 November 2020 - **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 condensed consolidated results for the six months ended 30 September 2020 (the "Period").

Operating environment for the Group continued to be in a hotspot and the Group has been inevitably impacted. As a result, the Group's turnover during the Period recorded a year-on-year ("YoY") decrease of 28.0%, from approximately HK\$1,861,015,000 to approximately HK\$1,340,004,000, mainly attributable to the planned reduction in orders from our major customer on a YoY basis and the order postponement or reduction from other customers amidst the COVID-19 pandemic. In spite of the drop in revenue, the current product portfolio of the Group's all two manufacturing business segments with special emphasis on juvenile products and certain appliances has enabled the Group to rather benefit, to a great extent, from the increase in orders for products including baby care products, home use printers and household cleaning appliances as a result of the changes in the product demand dynamics triggered by the COVID-19 pandemic, which offset the impact of the negative effects.

In light of the extreme business environment, the Group remains steadfast in optimising management flow and strengthening its production layout for a sustainable growth. The Group was also proactive in implementing a series of responsive measures, including the Group's sincere efforts in managing raw material costs and labour costs, maintaining a good balance of production schedule, as well as continuing to enhance customer and product diversity with an aim to reach a more balanced customer base and product mix portfolio during the Period. The said efforts and measures have proved themselves to be on the right track to a better performance. The Group's overall gross profit increased from HK\$176,394,000 of the corresponding period in 2019 to HK\$186,066,000 of the Period, together with a gross profit margin improvement from 9.5% to 13.9%. The Group's profit attributable to equity holders of the Company increased by 15.3% YoY from HK\$78,377,000 to HK\$90,378,000, mainly attributed to the Group's unwavering dedication in slimming down overall expenses and enhanced product mix.

Electrical and Electronic Products Business Segment

This segment's production centres in the PRC resumed operation in February 2020, enabling the segment to respond proactively to the challenges while to capture the opportunities arising from the COVID-19 pandemic in a more advantageous position and maintain a stable operation of its overall businesses. As such, the segment succeeded in seizing the opportunity to enjoy and benefit from the significant increase in the orders, on a YoY basis, for juvenile products and baby care products in this segment. However, the positive impact on the turnover from the said increase in orders was more than offset by the planned reduction in orders from the leading major customer and the order postponement or reduction from other customers amidst the COVID-19 pandemic. As a result, external turnover of this segment decreased by 40.3% to HK\$834,214,000 during the Period (1H FY2019: HK\$1,397,142,000). This segment remained a major contributor to the turnover of the Group, accounting for 62.3% thereof.

In spite of the decreased turnover, profitability of this segment increased through genuine and endless commitment in shifting to a higher margin product portfolio, proper costs control and optimisation of labour efficiency. The segment had better balanced the production schedule since last year, and such reshuffle of product portfolio helped the segment better utilise existing production capacities and streamline manpower usage, and thus, alleviated the pressure to the segment profit. As a result, the segment profit increased by 14.9% to HK\$89,979,000 during the Period (1H FY2019: HK\$78,342,000).

Robotics sector

As the Sino-U.S. trade tension escalated and continued to develop, it is seen that the application of U.S. tariffs may have caused downward pricing pressures on its orders, which, together with the escalating operating costs in the PRC, particularly the labour costs, have resulted in declining profitability. In an effort to stay competitive or to mitigate the impact, efforts were placed to rebalance the production schedule and improve production efficiency of existing production plants through optimisation on automation and further upgrade towards industry 4.0 during the Period. As a result, a more balanced production planning and efficiency enhancement allowed the sector to seek for profit margin improvement in the longer term.

Nevertheless, orders from the leading major customer for the Period were planned to be reduced, while business volume of the sector is likely to continue to become more conservative in view of the diminishing potential for cost improvement in the future for particular products.

Juvenile products and smart products sectors

With the shadow of COVID-19 pandemic, development timeline on some new projects were slightly delayed and demand of certain existing product lines were inevitably impacted due to worsen market sentiment during the Period under review. However, the sectors' diversified product portfolio mitigated the impact from these factors because some product lines benefited from the "stay-at-home" concept, particularly the baby gears and juvenile STEAM education products, and hence, their sales contributed to the growth of the sector. As the demand for our customers' products surged, the sector continued to benefit from the new product generations from existing clients, as well endeavoured to establish a good mix of new clients.

Overall, the segment will continue to develop new products to existing clients and explore new opportunities to enrich the existing client portfolio to further diversify risks. With a strong commitment in providing differentiated services and reinforcing its competitive advantages, the sectors will continue to invest in engineering capabilities R&D. The Group believes these products would become rising stars and will stay devoted to uncovering more potential ones in the future ahead.

Newly Established House Brand for Medical and Health Care Products

Through the opportunity of COVID-19 pandemic, the business has successfully developed various distribution channels in Hong Kong, including both online channels (for examples, HKTV Mall and Big Big Shop) as well as offline points of sales (including but no limited to YATA Supermarket). Being able to connect to these distribution network has laid a good foundation for future house brand development, the Group will continue to dedicate more resources to develop this business in an orderly fashion.

Face mask production was merely a first step as the Group's strategic planning to tap into the health care products sector. In November 2020, a subsidiary company of the Group has successfully been granted the Medical Device Registration Certificate from the Guangdong Medical Products Administration of the PRC, this has opened a gateway for the Group to expand its sales channels and customer base in the medical and health care sections, which, hence, lays a foundation for future development of medical and health care products.

Motors Business Segment

Although the pandemic has undermined the customer confidence and sentiment in general, it imposed significant impact on buying patterns and consumer demand contributing to higher demand for consumer products including but not limited to home use printers and household cleaning appliances as a consequence of unique policies such as "work from home" measures implemented to contain the pandemic. With a diversified customer base together with effective measures taken by our facilities protect workers from COVID-19, the segment is able to seize the opportunity and benefit from these changes in market dynamics resulting in growth in turnover as a whole.

Notwithstanding the challenging operating environment during the Period, the segment managed to continue to achieve revenue growth and net profit growth for the Period. Segment external turnover increased by 9.1% to HK\$ 505,790,000 (1H FY2019: HK\$463,770,000). Gross profit margin also improved during the Period YoY mainly attributed to the increased operating scale and continuous effort in automation, which resulted in a better productivity. Segment profit was HK\$41,893,000, representing a 32.3% YoY increase (1H FY2019: HK\$31,662,000).

Looking forward, the segment will continue to actively expand its business through implementing the following strategies, including (1) geographical and industry diversification of customers; (2) diversification of production solutions; and (3) continuous automation and internal management improvement.

Mr. Cheng Chor Kit, the Chairman and CEO of the Company said, "As the uncertainties from the COVID-19 pandemic remain, 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 to cater for the demand of overseas customers. The pandemic has reaffirmed such stance, as it could effectively reduce the Group's operational risk and improve direct margin;
- (2) continue to diversity its customer portfolio to reduce its concentration risk, particularly to develop clientele in some other countries and high-potential markets outside of the Sino-U.S. trade disputes. Besides, as smaller-scaled 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) continuously enhancing its R&D capabilities and product quality; and
- (4) continuation to adopt a stringent cost control policy and realisation of assets.

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."

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Financial Highlights

		Six months ended 30 September	
		2020	2019
		HK\$'000	HK\$'000
Turnover			
Electrical and electronic products		834,214	1,397,142
Motors		505,790	463,770
Net profit attributable to equity holders of the Company			
		90,378	78,377
Segment results:			
Electrical and electronic products		89,979	78,342
Motors		41,893	31,662
Real estate development		(21,224)	(2,847)
Earnings per share	- Basic	HK20.59 cents	HK17.86 cents
	- Diluted	HK20.59 cents	HK17.86 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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