



KIN YAT HOLDINGS LIMITED
建溢集團有限公司

Kin Yat Holdings Limited

(Stock code : 638)

Announces FY2020 Annual Results

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Gross profit increased by 15.0% yoy to HK\$333,341,000
Profit attributable to equity holders increased 51.3% yoy to HK\$170,049,000

Financial Highlights:

- Turnover decreased 24.8% yoy to HK\$3,114,221,000 (FY2019: HK\$4,139,886,000 (restated)).
- Gross Profit increased 15.0% yoy to HK\$333,341,000 with gross margin enhancement by 3.7 percentage point ("p.p.") to 10.7%.
- Profit attributable to equity holders increased 51.3% yoy to HK\$170,049,000 (FY2019: HK\$112,384,000).
- Basic Earnings per Share of HK38.74 cents (FY2019: HK25.61 cents (restated)).
- The Board has resolved not to declare any final dividend for the Year (FY2019: Nil).
- Cash and bank balance of HK\$271,247,000 (31 March 2019: HK\$240,924,000).
- Current ratio at 1.22 times (31 March 2019: 0.91 times).
- Inventory decreased by 51.5% to HK\$298,580,000 (FY2019: HK\$615,365,000).

Hong Kong, 30 June 2020 – **Kin Yat Holdings Limited (00638.HK)**, together with its subsidiaries (collectively, the "Group"), which is principally engaged in robotics, motors and smart products manufacturing, today announced its consolidated results for the financial year ended 31 March 2020 (the "Year" or "FY2020"). The downward revision to the global economic outlook continued to cast shadow over consumer sentiment since 2019. Although after a year of negotiations, the U.S. and the PRC signed the initial phrase of a trade deal as we entered into 2020, the global outbreak of the COVID-19 epidemic had brought another major shock to the economy that has just taken a breath. Being a part of upstream supply chain, the Group was, hence, inevitably influenced. This, together with the planned reduction in the production of the products for the Group's major customer in the electrical and electronic products segment during the Year for a better balance of production schedule, leads to a decrease in the Group's consolidated turnover for the Year on year-to-year ("yoy") basis by 24.8%, from approximately HK\$4,139,886,000 (restated) to approximately HK\$3,114,221,000.

The Group's gross profit increased to HK\$333,341,000 during the Year from HK\$289,876,000 (restated) in the corresponding period last year. Gross profit margin increased by 3.7 p.p. yoy mainly attributable to the Group's sincere effort in internal cost control over raw materials and labour cost, as well as maintaining a good balance of production schedule throughout the Year, along with the mild depreciation in the Renminbi ("RMB") exchange rate against the U.S. dollars during the Year. Amidst a difficult operating environment, the Group had managed to increase its profit attributable for the Year to equity holders of the Company by 51.3% yoy from HK\$112,384,000 to HK\$170,049,000. Basic earnings per share for the Year were HK38.74 cents (2019: HK25.61 cents (restated)), after the inclusion of the gain on disposal of the two properties in Hong Kong as announced by the Group in January 2020).

The Group had also managed to and will endeavour to continue to improve its cash position. During the Year, the Group has successfully achieved better inventory management and reduced inventory

by 51.5% to HK\$298,580,000 (2019: HK\$615,365,000). As at 31 March 2020, the Group's current ratio stood at 1.22 times (2019: 0.91 times). Such improved financial position and flexibility would be instrumental for the Group to prevail in the volatile global economy and pursue future opportunities.

Electrical and Electronic Products Segment

During the Year, due to a volatile external business environment, overall sentiment for consumer products weakened. The external turnover of this segment decreased by 30.4% to HK\$ 2,202,402,000 during the Year (2019: HK\$3,166,417,000). This segment remained a major contributor, accounting for 70.7% of the overall turnover of the Group.

Profitability of this segment maintained in the first three quarters, thanks to the segment's genuine and continues efforts in maintaining proper cost control and optimisation of labour efficiency. The segment had proactively lowered the production of robotic vacuum cleaners ("RVC") for a better balance of production schedule, which helped the segment to better utilise existing capacities and streamline manpower usage, and thus, alleviated the pressure on the segment profit. Segment profit increased by 74.3% to HK\$162,172,000 during the Year (2019: HK\$93,035,000).

Robotics sector

As a result of the escalated Sino-US trade tension and associating tariffs, sector sales inevitably affected and order placement of RVC products became conservative. In order to stay competitive, 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 Year so as to serve the segment's major customer even better. As a result, a more balanced production planning and efficiency enhancement allowed the sector to seek for profit margin improvement in the longer term.

Juvenile products and smart products sectors

Since the beginning of the COVID-19 epidemic in early 2020, some new projects in the sectors were put on hold and demand was adversely impacted due to worsening market sentiment. 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, the sales surged. During the Year, the sector has entered into an agreement for two new educational robots with market-leading players in the field and successfully became the sole supplier for the concerned products at this initial stage for a Taiwan-based multinational computer and phone hardware and electronics company.

Overall, the sectors will continue to develop new products to existing customers and explore new opportunities to enrich the existing customer 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 its product design and engineering capabilities R&D. The sectors believe these products would become another rising stars and will stay devoted to uncovering more potential ones in the future ahead.

Diversification of production solutions

In view of the limitation of utilisation rate at the Shenzhen centre, the segment is driving higher operational efficiency through geographic diversification of manufacturing solution. This opened additional opportunities of expanding production base diversification to countries outside of the PRC, in particular, to Southeast Asian countries to tailor to customers' requests and in the longer run, to enhance the segment's profitability. Future strategies will remain conservative and selective with this segment for better risk assessment. To this end, the segment has been assessing the feasibility of establishing a presence in the Republic of the Union of Myanmar, and the process has inevitably been held up since early 2020 due to the COVID-19 pandemic.

Motors Business Segment

Affected by the Sino-US trade dispute and the pandemic outbreak, some projects were being delayed with some customers showing extra conservatism in placing orders. Hence, besides for toys sector, revenue from other three sectors decreased moderately, in particular, the automobiles

sector recorded a significant decline in orders during the Year, as a result of the general economic downturn. Benefitted from the lockdown and stay-at-home order, there were noticeable increases in the demand of the segment's motor products driven from online sales for certain items such as smart vacuum cleaner from February 2020. The segment also managed to resume production in a short notice after the Chinese New Year holiday as most of the employees were local citizens in the particular regions. The swift reaction has allowed the segment to capture the opportunities, gaining orders from peers through high-quality products delivered in a timely manner.

Overall segment external turnover dropped by 14.0% to HK\$836,745,000 during the Year (2019: HK\$972,817,000). Gross profit margin was slightly improved as a result of the continuous enhancement of automation, the depreciation of RMB against the U.S. dollars, and the achievement of the progress of cost savings. However, primarily due to the decreased sales volumes, the increased depreciation expenses and the decrease in government subsidies income recognised during the Year, segment profit margin was subsequently affected and recorded a decrease of 20.0% to HK\$45,410,000 (2019: HK\$56,793,000).

Moving ahead with the uncertain macro environment and development of the COVID-19, the segment will adopt a prudent and cautious approach in implementing the following strategies on the segment, including (1) cost control and automation optimisation; (2) diversification of production solutions; and (3) continuous R&D and customer diversification.

Newly Established House Brand

At the beginning of 2020, the Company had taken revolutionary steps to establish a health care product business line under its house brand, "Kin Yat Health" commencing the production and sale of adult and child disposal facial masks. In response to the COVID-19 epidemic and in view of the demand for the Group's internal employee use, the Group started to conceive a mask production plan in around February 2020 with the benefits of utilising appropriate existing production facilities.

Up to the date of this announcement, the Group is able to offer a maximum production capacity of approximately 500,000 pieces of masks per day and has been able to offer EN14683 type 2R (non-sterile) and ASTM-F2100 Level 2 qualified (including but not limited to both BFE and PFE \geq 98%) non-medical face masks for adults and teens under the "Kin Yat Health" brand. The Group's face masks are UV + Ozone disinfected and are available for sale at various online and offline sales points. In addition, the "CE marking" validation for our face mask products is underway.

Going forward, in an effort to diversify risk raised by macroeconomy and geopolitical issues, the Group intends to allocate more available resources and production capabilities on newly established house brand - "Kin Yat Health" - to further develop the business line by enhancing its product portfolio to include, inter alia, various products for sterilisation and purification as medical products other than face masks.

Mr. Cheng Chor Kit, the Chairman and CEO of the Company said: "In view of the COVID-19 epidemic and the unsettled Sino-US trade dispute, we will closely monitor the situation and react proactively to minimise the impact of the difficult times. Looking forward, we will strive to continue stabilise the traditional segments by implementing following strategies:

- (1) continue to leverage its growing technical know-how and production capabilities in the pursuit of differentiating business into the B2C market;
- (2) enhancing profitability through continuous automation upgrade, strengthening R&D capabilities and better internal control measures;
- (3) remain selective and prudent on its investment and be open to opportunities in disposing of non-profitting assets to maintain stable cashflow when necessary; and
- (4) actively seeking for production capacity expansion to locations with geographical proximity and better plant resources, with preference to Southeast Asian countries.

We remain cautiously optimistic about its long-term development and prudent towards formulation and implementation of corporate strategies to create long-term value for stakeholders. Despite the

year ahead will be filled with challenges, Kin Yat will continue to stand on this principle and stay competitive in the ever-changing business environment.”

- Ends -

Financial Highlights

	For the Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000 (restated)
Turnover		
Electrical and electronic products	2,202,402	3,166,417
Motors	836,745	972,817
Real estate development	75,074	--
Net profit attributable to equity holders of the Company	170,049	112,384

Segment results:		
Electrical and electronic products	162,172	93,035
Motors	45,410	56,793
Real estate development	(1,574)	(402)

Dividend per share	-	Final	Nil	Nil
Earnings per share	-	Basic	HK38.74 cents	HK25.61 cents
	-	Diluted	HK38.74 cents	HK25.59 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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