



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

**Robotics and motors business growth drove turnover to record high
With resilient profit for the year to March 2019**

Financial Highlights:

- Turnover increased 39.1% yoy to HK\$4,221,878,000 (2018: HK\$3,034,274,000).
- Posted a profit attributable to equity holders of HK\$112,384,000 (2018: HK\$149,821,000).

Hong Kong, 28 June 2019 – Kin Yat Holdings Limited (00638.HK), which is principally engaged in robotics, motors and Internet of Things (“IoT”) manufacturing, yesterday announced its annual results for the year ended 31 March 2019 (the “Year”). The Sino-US trade war has not had much adverse impact on the Group as a whole in terms of business turnover and business momentum remained strong for the robotics and motors product lines. The Group’s consolidated turnover increased by 39.1% year on year to HK\$4,221,878,000 during the Year (2018: HK\$3,034,274,000). This turnover growth helped set another record high for the Group, and was driven both by its electrical and electronics and motors businesses. In furtherance of the Group’s strategy of building up war chest to cope with the uncertainties in the future, the Group has resolved not to declare any final dividend for the Year.

Amidst a challenging operating environment, the Group’s profit attributable to equity holders of the Company declined 25.0% year on year to HK\$112,384,000 (2018: HK\$149,821,000). Before inclusion of one-off gains/expenses, a profit (before non-controlling interests) of HK\$53,665,000 (2018: HK\$60,338,000) was recorded.

The earnings decline was mainly due to the decrease in profitability of the electrical and electronic products segment and the motors segment, attributable to the general increase in labour and material costs. The increase in cost was aggravated by additional costs incurred owing to an overloading of facilities during certain peak months which outweighed the positive effect induced by the mild depreciation in the Renminbi exchange rate against the US dollar during the Year. Basic earnings per share for the Year were HK25.61 cents (2018: HK34.71 cents).

Kin Yat Holdings Chairman and CEO Mr Cheng Chor Kit said: “I am delighted that we have been relatively able to maintain resilience amidst the operating difficulties. Our main task ahead remains to upgrade our production capability and automation in order to enhance overall competitiveness, while contemplating new initiatives to strengthen and diversify our production base in the longer term and to recoup the investments in our real estate development business segment.”

Electrical and Electronic Products Segment

Driven by robust sales of robotic vacuum cleaners (“RVC”), the juvenile products and other AI robotic products, segment external turnover grew 48.1% year on year to HK\$3,166,417,000 during the Year (2018: HK\$2,137,529,000). However, the general surge in labour and material costs and additional outsourcing expenses have brought the segment’s operating profit down 23.3% year on year to HK\$93,035,000 (2018: HK\$121,252,000).

With a strong foundation in robotics manufacturing, the Group has sought to expand from its core RVC line to other home-use and outdoor robots. During the Year, an underwater robot has completed development and was moved to production. In addition to home applications, the Group has also taken up the research and development and

production of robots with nursing functions, a STEM kit set, and an educational robot for interactive language learning. The Group is confident of the ongoing development of its robotics business.

The utilisation rate of the Shenzhen facilities has reached a high level, and the Group originally planned to shift part of the robotics supply chain to Dushan. However, owing to a delay in the handover of the factory premises by the Dushan government, the capacity expansion plan has been postponed. For the near term, the Group will adopt a more selective approach in procuring orders, and will aim for a more even distribution of production throughout the year.

The IoT and smart home product lines have remained in relatively small volumes, and the Group will continue to adopt a selective pitching strategy in order to better allocate development resources and production capacities. Among them, the baby gear line and robotic products for pets have continued to record stable sales. Development of a wearable keyboard for inputting and controlling Bluetooth-enabled devices is also ongoing.

The Group is also optimistic about the sales of an entertainment product series which will be carried in a new line of theme parks based on a blockbuster movie. These additional points of sale will help boost the business volume of the product series.

Motors Business Segment

The motors segment's external turnover increased by 8.5% year on year to a record level of HK\$972,817,000 (2018: HK\$896,745,000) on the back of a robust order book, and driven by the furtherance of strategic plans to expand market share in various sectors particularly the home and office appliances sectors. Amongst others, the further increase in labour rates was one of the key factors that drove segment profit down by 22.4% to HK\$56,793,000 (2018: HK\$73,204,000). To relieve the limiting effect of labour shortage on the segment's manufacturing activity, the Group will continue to raise the level of automation at its facilities.

The segment strategically manages its product portfolio to respond to market changes and capture technological trends. In this direction, the segment has continued with the development of larger motor drives and has debuted a series of brushless motors.

The automobile line performed well and delivered increased sales in spite of a negative growth in automobile production and sales in China. It will expand into a broader range of motors that support other automobile functions. The management will also seek to capture opportunities that are expected to emerge from the growth of electric cars.

In addition, the segment is developing products of higher value such as mid-sized and brushless DC motors. It has also re-launched the AC motor business after years of planning and development.

As part of the segment's proactive measures to address the difficulties brought by the trade barriers, plans are underway to diversify its production base. A motor production line is scheduled to be commissioned by July 2019 in Malaysia, signifying its initial step toward the production of motors outside China which expected to induce demands from customers from ASEAN or Trans-Pacific Partnership member countries which enjoy export tax concessions.

The segment looks to the coming year with a neutral stance, while holding an upward outlook in the longer term.

Production Base Diversification

Planning for further production base diversification has been ongoing, and the Sino-US trade war has expedited the need to consider locations outside China. Under study and site inspection are locations in Asia, such as Myanmar, India and Vietnam, where the Group is able to enjoy demographic and cost advantages. The Group is already operating a small-scale plant in Malaysia for the motors segment, and a new production line for motor drives will be added to this location in July 2019. Plans are also underway to establish production lines in Malaysia for some IoT and baby items.

Notwithstanding its diversification consideration, the Group will continue to retain a substantial manufacturing base in China.

Financial Highlights

	Year ended 31 March			
	2019	2018		
	HK\$'000	HK\$'000		
Turnover	4,221,878	3,034,274		
Electrical and electronic products	3,166,417	2,137,529		
Motors	972,817	896,745		
Glass technology and application	82,646	-		
Real estate development	-	-		
Resources development	-	-		
Net profit attributable to equity holders of the Company	112,384	149,821		
Segment results from operating activities	148,400	192,080		
Electrical and electronic products	93,035	121,252		
Motors	56,793	73,204		
Glass technology and application	(6,538)	-		
Real estate development	(402)	(2,591)		
Resources development	5,512	215		
Dividend per share	-	Yearly	HK3.0 cents	HK10.0 cents
	-	Final	-	HK7.0 cents
	-	Interim	HK3.0 cents	HK3.0 cents
Earnings per share	-	Basic	HK25.61 cents	HK34.71 cents
	-	Diluted	HK25.59 cents	HK34.42 cents

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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, Internet of things (“IoT”) and smart home items, along with a diverse portfolio of motor drives and related products. The latest addition of a glass technology and application segment has further extended our manufacturing scope. The Group is also engaged in certain real estate development projects in Guizhou Province, the People’s Republic of China (the “PRC”).

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