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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

The Board of Directors (the “Board”) of Kin Yat Holdings Limited (“Kin Yat”, the “Company”) would like to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2021 (the “Period” or “1H FY2022”), together with the comparative figures for the previous corresponding period and the relevant explanatory notes. The interim financial results have been reviewed by the Audit Committee of the Company but have not been reviewed by the auditor of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited for the six months ended 30 September	
	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	3	1,364,779	1,340,004
Costs of sales		<u>(1,196,121)</u>	<u>(1,153,938)</u>
Gross profit		168,658	186,066
Other income and gains, net	3	43,230	49,484
Selling and distribution expenses		(37,797)	(27,177)
Administrative expenses		(79,768)	(96,679)
Impairment losses on financial assets		(2,000)	(7,300)
Finance costs, net	4	(4,770)	(2,655)
Share of losses of an associate		–	(31)
Profit before income tax	5	87,553	101,708
Income tax expense	6	(11,279)	(10,848)
Profit for the period from continuing operations		76,274	90,860
Discontinued operation			
Loss for the period from discontinued operation	14	–	(701)
Profit for the period		76,274	90,159
Profit/(loss) attributable to:			
Equity holders of the Company		76,274	90,378
Non-controlling interests		–	(219)
		76,274	90,159
Profit/(loss) attributable to the equity holders of the Company arisen from:			
Continuing operations		76,274	91,079
Discontinued operation		–	(701)
		76,274	90,378

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited for the six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000
Profit for the period	76,274	90,159
Other comprehensive income arising from continuing operations:		
<i>Item that may be reclassified to the income statement:</i>		
Exchange translation reserve on translation of foreign operations	6,408	24,922
Other comprehensive income arising from discontinued operation:		
<i>Item that may be reclassified to the income statement:</i>		
Exchange translation reserve on translation of foreign operations	–	281
Other comprehensive income for the period, net of tax	6,408	25,203
Total comprehensive income for the period	82,682	115,362
Total comprehensive income for the period attributable to:		
Equity holders of the Company	82,682	115,359
Non-controlling interests	–	3
	82,682	115,362

Unaudited
for the six months ended
30 September

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>

Total comprehensive income/(loss) for the period attributable to equity holders of the Company arisen from:

Continuing operations	82,682	116,060
Discontinued operation	—	(701)
	82,682	115,359
	82,682	115,359

Earnings/(losses) per share attributable to equity holders of the Company

Basic

Continuing operations	HK17.38 cents	HK20.75 cents
Discontinued operation	—	HK(0.16) cents
	HK17.38 cents	HK20.59 cents
	HK17.38 cents	HK20.59 cents

Total – included discontinued operation

	HK17.38 cents	HK20.59 cents
	HK17.38 cents	HK20.59 cents

Diluted

Continuing operations	HK17.38 cents	HK20.75 cents
Discontinued operation	—	HK(0.16) cents
	HK17.38 cents	HK20.59 cents
	HK17.38 cents	HK20.59 cents

Total – included discontinued operation

	HK17.38 cents	HK20.59 cents
	HK17.38 cents	HK20.59 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 September 2021 <i>HK\$'000</i>	Audited 31 March 2021 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		1,044,354	1,070,374
Investment properties		66,329	66,028
Right-of-use assets	9	25,120	26,334
Properties under development	10	41,230	41,043
Intangible assets		7,873	7,873
Financial assets at fair value through profit or loss		12,462	12,283
Prepayments and deposits	13	88,943	104,494
Deferred tax assets		6,527	8,202
		1,292,838	1,336,631
Total non-current assets			
Current assets			
Properties under development	10	346,699	316,787
Completed properties held for sale	11	144,553	143,905
Inventories		382,691	361,901
Accounts and bills receivable	12	426,825	368,089
Prepayments, deposits and other receivables	13	288,023	245,568
Financial assets at fair value through profit or loss		16,071	11,715
Tax recoverable		5,335	4,099
Pledged deposits		18,057	17,975
Time deposits		13,272	13,607
Restricted bank deposits		567	538
Cash and cash equivalents		323,019	390,018
		1,965,112	1,874,202
Total current assets			
		3,257,950	3,210,833
Total assets			

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

		Unaudited	Audited
		30 September	31 March
		2021	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		43,896	43,896
Reserves		1,538,283	1,455,600
		<hr/>	<hr/>
Total equity		1,582,179	1,499,496
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Deferred income and other payable	<i>15</i>	19,357	24,158
Bank borrowings	<i>16</i>	124,932	191,874
Lease liabilities		976	1,892
Deferred tax liabilities		40,032	37,097
		<hr/>	<hr/>
Total non-current liabilities		185,297	255,021
		<hr/>	<hr/>
Current liabilities			
Accounts and bills payable, other payables and provisions	<i>15</i>	776,850	779,319
Contract liabilities		195,426	123,093
Bank borrowings	<i>16</i>	434,705	467,672
Lease liabilities		1,869	1,880
Tax payable		81,624	84,352
		<hr/>	<hr/>
Total current liabilities		1,490,474	1,456,316
		<hr/>	<hr/>
Total liabilities		1,675,771	1,711,337
		<hr/>	<hr/>
Total equity and liabilities		3,257,950	3,210,833
		<hr/> <hr/>	<hr/> <hr/>

NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 September 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

This condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2021, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies applied and methods of computation used in the preparation of this interim financial report are consistent with those used in the annual financial statements for the year ended 31 March 2021, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of the revised standards and amendments issued by the HKICPA.

The following amendments to standards are mandatory for the financial year beginning on 1 April 2021.

Amendments to HKFRS 16	COVID-19-related rent concessions
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of the above amendments to standards did not have any significant impact on the preparation of these condensed consolidated interim financial information.

The following new standards and amendments have been issued but are not effective for the financial year beginning on or after 1 April 2021 and have not been early adopted by the Group.

Amendments to HKAS 3	Update reference to the conceptual framework
Amendments to HKAS 16	Proceeds before intended use
Amendments to HKAS 37	Onerous contracts – costs of fulfilling a contract
Annual Improvements Project (Amendments)	Annual improvements to HKFRSs 2018-2020
Amendments to HKAS 1	Classification of liabilities as current or non-current
HKFRS 17	Insurance contracts and the related amendments
HK Interpretation 5 (2020)	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The Group will apply the above new standards and amendments when they become effective. The Group anticipates that the application of the above new standards and amendments to existing standards have no material impact on the results and the financial position of the Group.

The adoption of the above new standards and amendments did not have any significant impact on the preparation of these condensed consolidated interim financial information.

2. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the electrical and electronic products segment consists of the manufacture and sale of AI robotics, IoT and smart home products, electronic entertainment products and other related products;
- (b) the motors segment consists of the development, design, manufacture and sale of electric motor drives and related products and encoder film;
- (c) the real estate development segment; and
- (d) the glass technology and application segment consists of the sale and downstream processing of glass as well as the design, manufacture and installation of curtain wall systems.

During the six months ended 30 September 2020 (“1H FY2021”), the Group completed the disposal of the glass technology and application segment. A gain on disposal amounting to HK\$1,621,000 was recognised as other income and gains, net (Note 14).

Management monitors the operating results of the Group’s business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the condensed consolidated financial statements.

Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to the third parties at the then prevailing market prices.

2. SEGMENT INFORMATION (continued)

(a) Operating segments

The segment results of the Group for the Period and the 1H FY2021 are as follows:

30 September 2021

	Continuing operations					Sub-total HK\$'000	Discontinued operation	Consolidated HK\$'000
	Electrical and electronic products HK\$'000	Motors HK\$'000	Real estate development HK\$'000	Others HK\$'000	Eliminations HK\$'000		Glass technology and application HK\$'000	
Segment revenue:								
Revenue from external customers								
Timing of revenue recognition								
– At a point of time	801,883	562,896	-	-	-	1,364,779	-	1,364,779
– Over time	-	-	-	-	-	-	-	-
	<u>801,883</u>	<u>562,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,364,779</u>	<u>-</u>	<u>1,364,779</u>
Inter-segment sales	22,027	2,519	-	-	(24,546)	-	-	-
	<u>823,910</u>	<u>565,415</u>	<u>-</u>	<u>-</u>	<u>(24,546)</u>	<u>1,364,779</u>	<u>-</u>	<u>1,364,779</u>
Total								
Other income and gains, net	10,872	27,789	117	-	-	38,778	-	38,778
	<u>53,341</u>	<u>48,850</u>	<u>(7,020)</u>	<u>(1,163)</u>	<u>-</u>	<u>94,008</u>	<u>-</u>	<u>94,008</u>
Segment results								
Unallocated gains, net						4,452		4,452
Unallocated expenses						(6,137)		(6,137)
Finance costs, net						(4,770)		(4,770)
Profit before income tax						87,553		87,553
Income tax expense						(11,279)	-	(11,279)
Profit for the period						<u>76,274</u>		<u>76,274</u>

2. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

30 September 2020

	Continuing operations						Discontinued operation	Consolidated HK\$'000
	Electrical and electronic products HK\$'000	Motors HK\$'000	Real estate development HK\$'000	Others HK\$'000	Eliminations HK\$'000	Sub-total HK\$'000	Glass technology and application HK\$'000	
Segment revenue:								
Revenue from external customers								
Timing of revenue recognition								
- At a point of time	834,214	505,790	-	-	-	1,340,004	2,461	1,342,465
- Over time	-	-	-	-	-	-	3,050	3,050
	<u>834,214</u>	<u>505,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,340,004</u>	<u>5,511</u>	<u>1,345,515</u>
Inter-segment sales	17,993	1,615	-	-	(19,608)	-	-	-
Total	<u>852,207</u>	<u>507,405</u>	<u>-</u>	<u>-</u>	<u>(19,608)</u>	<u>1,340,004</u>	<u>5,511</u>	<u>1,345,515</u>
Other income and gains, net	21,824	21,759	2,820	1,621	-	48,024	46	48,070
Segment results	<u>89,979</u>	<u>41,893</u>	<u>(21,224)</u>	<u>779</u>	<u>-</u>	<u>111,427</u>	<u>(739)</u>	<u>110,688</u>
Unallocated gains, net						1,460		1,460
Unallocated expenses						(8,493)		(8,493)
Finance costs, net						(2,655)		(2,655)
Share of losses of an associate						(31)		(31)
Profit before income tax						101,708		100,969
Income tax (expense)/credit						(10,848)	38	(10,810)
Profit for the period						<u>90,860</u>		<u>90,159</u>

(b) Geographical information

	Unaudited for the six months ended 30 September							
	United States of America		Europe		Asia		Consolidated	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment revenue:								
Revenue from external customers								
- Continuing operations	641,783	605,254	129,783	201,556	593,213	533,194	1,364,779	1,340,004
- Discontinued operation	-	-	-	-	-	5,511	-	5,511
	<u>641,783</u>	<u>605,254</u>	<u>129,783</u>	<u>201,556</u>	<u>593,213</u>	<u>538,705</u>	<u>1,364,779</u>	<u>1,345,515</u>

The revenue information above is based on the locations of the customers.

3. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts but excluding intra-group transactions. An analysis of revenue, other income and gains, net is as follows:

	Unaudited for the six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Revenue		
Manufacture and sales of:		
Electrical and electronic products	801,883	834,214
Motors	562,896	505,790
	<u>1,364,779</u>	<u>1,340,004</u>
Other income and gains, net		
Fair value gain on financial assets at fair value through profit or loss, net	5,758	1,292
Fair value loss on investment properties	–	(661)
Gain/(loss) on disposal of property, plant and equipment, net	33	(36)
Gain on disposal of equity interest in an associate	–	729
Gain on disposal of discontinued operation (<i>Note 14</i>)	–	1,621
Gross rental income	604	222
Sales of scrap materials	8,349	9,001
Subsidy income (<i>Note</i>)	23,768	31,225
Others	4,718	6,091
	<u>43,230</u>	<u>49,484</u>

Note:

Various government subsidies have been received from the local government authorities for subsidising the operating activities, research and development activities, and acquisition of fixed assets. During the Period, subsidy income amounting to HK\$23,768,000 (1H FY2021: HK\$31,225,000) are recognised in profit or loss, including the recognition of deferred government subsidy income of HK\$19,518,000 (1H FY2021: HK\$17,371,000).

4. FINANCE COSTS, NET

	Unaudited for the six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Interest expense on bank loans	5,093	2,953
Interest expense on lease liabilities	64	155
Bank interest income	(387)	(453)
	<u>4,770</u>	<u>2,655</u>

During the Period, interest of HK\$3,395,000 (1H FY2021: HK\$5,431,000) was capitalised under properties under development. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's borrowing during the Period of 3.0% (1H FY2021: 2.7%).

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Unaudited for the six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Cost of inventories sold	855,011	847,430
Depreciation of property, plant and equipment	62,517	56,217
Depreciation of right-of-use-assets	1,271	2,087
Direct operating expenses (including repairs and maintenance) arising from rental earning investment properties	–	3
Legal and professional fee	4,142	4,896
Short-term lease expenses	1,261	723
(Write-back of impairment)/impairment of inventories	(1,279)	6,136
Impairment of completed properties held for sale	–	15,944
Impairment of properties under development	–	4,456
	<u>–</u>	<u>–</u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (1H FY2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates.

	Unaudited	
	for the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	5,215	7,320
Current – Elsewhere		
Charge for the period	4,055	4,338
Adjustment for current tax of prior years	(3,614)	(4,307)
Deferred tax	5,623	3,497
	<hr/>	<hr/>
Total tax charge for the period	11,279	10,848
	<hr/> <hr/>	<hr/> <hr/>

7. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2021 (1H FY2021: Nil).

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

- profit for the Period attributable to equity holders of the Company of HK\$76,274,000 (1H FY2021: HK\$90,378,000),
- by the weighted average number of ordinary shares of 438,960,000 (1H FY2021: 438,960,000) in issue during the Period.

A reconciliation of the weighted average number of ordinary shares used in calculating the basic and diluted earnings per share is as follows:

	Unaudited for the six months ended 30 September	
	2021	2020
Weighted average number of ordinary shares used in calculating basic earnings per share	438,960,000	438,960,000
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the Period	—	—
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>438,960,000</u>	<u>438,960,000</u>

Diluted earnings per share

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to equity holders of the Company of HK\$76,274,000 (1H FY2021: HK\$90,378,000) and 438,960,000 (1H FY2021: 438,960,000) ordinary shares, being the number of shares outstanding during the Period, adjusted for the effects of the dilutive potential ordinary shares outstanding during the Period.

The diluted earnings from continuing operations and discontinued operation per share is equal to the basic earnings per share for the period ended 30 September 2021 as the outstanding share options did not have dilutive effect because the exercise price per share option was higher than the average share price of the Company during the Period.

9. RIGHT-OF-USE ASSETS

The recognised right-of-use assets relate to the following types of assets:

	Prepaid land lease payments <i>HK\$'000</i>	Leasehold land <i>HK\$'000</i>	Office and other properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2021	22,406	202	3,726	26,334
Depreciation	(324)	(4)	(943)	(1,271)
Exchange realignment	55	–	2	57
	<u>22,137</u>	<u>198</u>	<u>2,785</u>	<u>25,120</u>
At 30 September 2021	22,137	198	2,785	25,120
At 1 April 2020	22,169	210	3,864	26,243
Inception of lease contracts	–	–	5,348	5,348
Depreciation	(635)	(8)	(1,802)	(2,445)
Termination of leases	–	–	(3,828)	(3,828)
Exchange realignment	872	–	144	1,016
	<u>22,406</u>	<u>202</u>	<u>3,726</u>	<u>26,334</u>

10. PROPERTIES UNDER DEVELOPMENT

	Unaudited 30 September 2021 <i>HK\$'000</i>	Audited 31 March 2021 <i>HK\$'000</i>
Movements in the properties under development are as follows:		
At beginning of the period/year	357,830	312,381
Additions	28,521	26,914
Impairment	–	(4,456)
Exchange realignment	1,578	22,991
	<u>387,929</u>	<u>357,830</u>
At end of the period/year	387,929	357,830
Current portion	(346,699)	(316,787)
	<u>41,230</u>	<u>41,043</u>
Non-current portion	41,230	41,043

11. COMPLETED PROPERTIES HELD FOR SALE

	Unaudited 30 September 2021 <i>HK\$'000</i>	Audited 31 March 2021 <i>HK\$'000</i>
At beginning of the period/year	143,905	154,464
Properties sold	–	(5,204)
Impairment	–	(15,944)
Exchange realignment	648	10,589
	<hr/>	<hr/>
At end of the period/year	144,553	143,905
	<hr/> <hr/>	<hr/> <hr/>

The completed properties held for sale are located in the People's Republic of China (the "PRC").

12. ACCOUNTS AND BILLS RECEIVABLE

An aging analysis of the accounts and bills receivable as at the end of the reporting Period, based on the invoice date, is as follows:

	Unaudited 30 September 2021 <i>HK\$'000</i>	Audited 31 March 2021 <i>HK\$'000</i>
0 – 30 days	214,002	168,566
31 – 60 days	111,683	89,109
61 – 90 days	58,125	92,806
Over 90 days	59,801	32,390
	<hr/>	<hr/>
	443,611	382,871
Loss allowance	(16,786)	(14,782)
	<hr/>	<hr/>
	426,825	368,089
	<hr/> <hr/>	<hr/> <hr/>

The increase in the accounts and bills receivable is owing to the seasonal factor where usually September (30 September 2020: HK\$458,588,000) is the high season and March (31 March 2020: HK\$221,017,000) is the low season.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
Prepayment for property, plant and equipment	80,509	95,066
Prepaid construction costs (<i>Note</i>)	104,271	104,816
Prepayment for materials	52,256	36,294
VAT recoverables	43,113	47,040
Factoring receivables from bank	34,733	16,363
Utility and other deposits	6,226	6,519
Staff advance	2,449	2,366
Other prepayments	8,798	6,800
Other receivables	57,823	47,950
	<u>390,178</u>	<u>363,214</u>
Less: Provision for impairment	<u>(13,212)</u>	<u>(13,152)</u>
	376,966	350,062
Less: Current portion	<u>(288,023)</u>	<u>(245,568)</u>
Non-current portion	<u>88,943</u>	<u>104,494</u>

Note:

As at 30 September 2021, such prepaid construction costs include prepaid construction cost of approximately HK\$49,356,000 (31 March 2021: HK\$49,132,000) to a main contractor for the properties development project in Dushan County, Guizhou Province, the PRC. The properties, upon completion, are for selling purpose and are expected to be completed within its operating cycle, therefore, it is classified as current assets.

14. DISCONTINUED OPERATION

(a) Description

On 20 April 2020, the Group entered into a sale and purchase agreement with a third party to dispose of the entire equity interest of 創建節能玻璃(韶關)有限公司 and 創建節能玻璃(貴州)有限公司 and its subsidiaries (collectively as the “Disposal Group”). The Disposal Group is the core operating subsidiaries of the glass technology and application segment.

During the 1H FY2021, the conditions precedent pursuant to the agreement have been completed. The Disposal Group is reclassified as discontinued operation in the period up to the date of disposal is set out below.

14. DISCONTINUED OPERATION (continued)

(b) Financial performance and cashflow information

The financial performance and cash flow information presented are for the period up to disposal date.

	Unaudited Period up to disposal date <i>HK\$'000</i>
Revenue	5,511
Cost of sales	<u>(5,549)</u>
Gross profit	(38)
Other income and gains, net	46
Selling and distribution expenses	(109)
Administrative expenses	<u>(638)</u>
Loss before income tax	(739)
Income tax credit	<u>38</u>
Loss from discontinued operation	(701)
Exchange translation reserve on translation of foreign operations	<u>281</u>
Other comprehensive loss from discontinued operation	<u><u>(420)</u></u>
Cash used in operating activities	(156)
Exchange realignment	<u>(128)</u>
Net decrease in cash and cash equivalents	<u><u>(284)</u></u>

14. DISCONTINUED OPERATION (continued)

(c) Gain on disposal of discontinued operation

The gain on disposal are calculated as follows:

	Unaudited 30 September 2020 HK\$'000
Consideration:	
Cash	37,759
Less:	
Property, plant and equipment	(29,842)
Construction in progress	(740)
Intangible assets	(14,933)
Goodwill	(10,713)
Inventories	(7,069)
Accounts receivable	(53,744)
Prepayments and deposits	(14,951)
Accounts payable	18,348
Accrued expenses	1,991
Other payables	72,433
Deferred tax liabilities	3,733
Cash and cash equivalents	(311)
Release of exchange reserve	(340)
	<hr/>
Gain on disposal of discontinued operation (<i>Note 3</i>)	1,621
	<hr/> <hr/>

15. ACCOUNTS AND BILLS PAYABLE, OTHER PAYABLES AND PROVISIONS

An aging analysis of the accounts and bills payable as at the end of the reporting Period, based on the invoice date, and the balance of other payables and provisions is as follows:

	Unaudited 30 September 2021 HK\$'000	Audited 31 March 2021 HK\$'000
0 – 30 days	163,009	167,576
31 – 60 days	147,713	102,940
61 – 90 days	127,123	155,397
Over 90 days	154,123	136,990
Accounts and bills payable (<i>Note i</i>)	591,968	562,903
Accrued expenses	15,774	13,234
Other payables	24,976	23,288
Payable for construction work	19,802	35,436
Financial liabilities	652,520	634,861
Accrued employee benefit expenses	78,957	85,083
VAT and other tax payable	22,536	23,643
Deferred income (<i>Note ii</i>)	42,194	59,890
Total trade and other payables	796,207	803,477
Less: Non-current portion of deferred income	(19,357)	(24,158)
Current portion	776,850	779,319

Notes:

- (i) The accounts and bills payable and other payables are non-interest-bearing and are normally settled within credit terms of two months, extending up to three months.
- (ii) The balance mainly represented government grants received in respect of the subsidies from The People's Government of the Dushan County, Guizhou Province (the "Dushan County Government") for the Group's manufacturing company located in Dushan County ("Dushan"), Guizhou Province ("Guizhou"), the PRC. These grants are held as deferred income and recognised to the income statement on a systematic basis to match with the costs or the assets' useful lives that they are intended to compensate in accordance with the agreements with the Dushan County Government. During the Period, subsidies of HK\$15,727,000 (1H FY2021: HK\$14,079,000) had been recognised and included in subsidy income of "Other income and gains, net" in the condensed consolidated income statement.

16. BANK BORROWINGS

	Unaudited 30 September 2021 <i>HK\$'000</i>	Audited 31 March 2021 <i>HK\$'000</i>
<i>Unsecured</i>		
Current portion	410,629	455,689
Non-current portion	124,932	191,874
	535,561	647,563
<i>Secured</i>		
Current portion	24,076	11,983

The Group's banking facilities are secured by the corporate guarantees, investment property and bank deposits given by the Company and certain subsidiaries of the Company.

Bank borrowings mature until year 2023, and bear average interest at 3.0% (31 March 2021: 2.7%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

Kin Yat is one of the leading industrial enterprises primarily engaged in the development and production of niche, technology-driven and quality electrical and electronic products. Through nearly four decades of industry experience and strong research and development (“R&D”) capability, the Group has established an expansive product portfolio in the areas of robotics, juvenile products, smart products and motor-driven products that are able to satisfy the needs of end-users through different economic cycles. Recently, the Group has been actively developing OEM+ (original equipment manufacturing plus) business opportunities and also established its house brand healthcare product business line, “Kin Yat Health”, with the aim to further diversify its product portfolio while undergoing a strategic customer portfolio adjustment in our Electrical and Electronic Products Business Segment (the “E&E Products Segment”), supported by its existing advanced production equipment, R&D capability and technological know-how.

FINANCIAL REVIEW

During the six months ended 30 September 2021 (the “Period” or “1H FY2022”), the business from the Significant Customer for the E&E Products Segment decreased on a year-on-year (“YoY”) basis as a result of our strategic customer portfolio adjustment pursuant to which the relevant service contract with such customer will end by the end of year 2021 (more details were disclosed in the announcement made by the Company dated 3 May 2021). Yet, driven by the increasing orders from its customers in the E&E Products Segment other than the Significant Customer and also from its customers in the Motors Business Segment, the Group was able to enjoy a rise in order volume, as overseas customers raised their inventory level to cater for the surge in demand amid a steady economic recovery as the vaccination rate continued to rise across countries, with economic activities slowly adjusting to the new normal. Despite the fact that the increase in order was somewhat overshadowed by sea freight and logistics disruptions, which severely impacted overseas shipments and order fulfilment, the Group’s turnover during the Period mildly edged up 1.8% YoY to HK\$1,364,779,000 (1H FY2021: HK\$1,340,004,000).

The Group’s total turnover by Segment was analysed as follows:

- Electrical and Electronic Products Business Segment: HK\$801,883,000, representing 58.8% of the Group’s consolidated turnover for the Period (1H FY2021: HK\$834,214,000, 62.3%).
- Motors Business Segment: HK\$562,896,000, contributing 41.2% of the Group’s consolidated turnover for the Period (1H FY2021: HK\$505,790,000, 37.7%).
- Real Estate Development Business Segment: Nil, representing 0% of the Group’s consolidated turnover for the Period (1H FY2021: Nil, 0%).

As economies emerged from lockdowns, energy and raw material prices soared considerably, and the growing difficulties in logistics have also led to a rising transportation cost. On the backdrop of rising operating costs, together with the absence of COVID-19 pandemic relief measures, including temporary financial support under the Employment Support Scheme in Hong Kong and a short-term relief on insurance and housing fund contributions promulgated in the PRC, despite the Group's best effort in strengthening its cost containment and optimising its procurement strategies, gross profit for the Period decreased to HK\$168,658,000 (1H FY2021: HK\$186,066,000), representing a 9.4% decline YoY, with gross profit margin decreased from 13.9% to 12.4% over the year. Profit attributable to equity holders of the Company decreased by 15.6% YoY to HK\$76,274,000 (1H FY2021: HK\$90,378,000).

OPERATIONAL REVIEW

Manufacturing Businesses

The Group operates two manufacturing business streams on three major production centres in the PRC, of which two production centres are based in Guangdong Province, situated in Songgang, Baoan District, Shenzhen City ("Shenzhen") and Shixing County, Shaoguan City ("Shixing"), respectively, with the third being located in Dushan County ("Dushan"). The Group's production bases are also supplemented by an additional motor facility in Malaysia.

During the Period, the Shenzhen centre continued to focus on handling high value-added processes for robotics and smart products, whereas the Shixing centre remained as the major production base for motor drives and other electrical and electronic products. The Dushan centre currently houses motors production and sub-assembly business.

Electrical and Electronic Products Business Segment

The Segment engages in the development, design, and manufacturing of three main product categories: (i) robotics, (ii) juvenile products and baby care products, and (iii) smart products.

During the Period, as the global economy continued its recovery from the lingering COVID-19 impact, consumers have slowly adapted to the new normal, placing a much stronger emphasis on "stay-at-home" activities and hence, the associated product and service needs. Riding on such development, the Segment recorded a moderate increase in revenue from juvenile products and baby care products sector. However, such increase was partially offset by the Segment's strategic customer portfolio adjustment, which has led to a decrease in orders from the robotics sector. Overall, external turnover of the Segment for the Period slightly decreased by 3.9% to HK\$801,883,000 (1H FY2021: HK\$834,214,000).

Since the beginning of 2021, the associated production and order fulfilment costs surged significantly mainly attributable to raw material shortages and international logistics disruptions, and such a cost pressure was further intensified by the Renminbi appreciation. These, combined with the absence of COVID-19 pandemic relief measures (including temporary subsidies or grants and short-term relief on expenses), during the Period as compared to the corresponding period of last year, have resulted in a 40.7% YoY decrease in the Segment's operating profit to HK\$53,341,000 (1H FY2021: HK\$89,979,000).

The Segment has enjoyed a strong foothold in the home-use robotics market through a long-term partnership with the Significant Customer in the United States of America ("U.S.") specialising in robotic floor care products. Few years back, particularly triggered by the event of Sino-U.S. trade tension, the management started to strategise a diversification of the Segment's customer base so as to avoid over-reliance on a single customer which has hindered the Segment's performance and profitability as the gross profit margin realised was lower than the Segment's average.

Therefore, with an aim of enhancing the Segment's profit margin, the Segment has undergone a business transformation to grow its customer base through the strategic customer portfolio adjustment involving the ending of the service contract with the Significant Customer in exchange for greater opportunities for future development. This allows the Segment to free up additional production capacity for other existing customers including those in the juvenile products and baby care products sector, while also opening up to new customers. To this end, the Segment has successfully explored and engaged a large number of pipeline customers at various stages of development ranging from contract terms negotiation to admission as new customers. Along with this strategic customer portfolio adjustment, the Segment has been actively further developing and expanding its OEM+ services to customers by leveraging off its credentials as the largest manufacturer of robotic vacuum cleaners in the world, strong R&D and manufactory capability so as to create added value for customers. Through the strategic customer portfolio adjustment, the Segment will be less restricted in developing its business and the Segment is confident that it will maintain its strong growth momentum, and deliver promising results in the near future.

Since the beginning of 2020, the Group has successfully grasped the opportunity in establishing a healthcare product business line under its house brand, "Kin Yat Health", by commencing the production and sales of adult and child disposal facial masks in response to the COVID-19 pandemic. The sector has been able to offer EN14683 TYPE IIR and ASTM-F2100 Level 2 & 3 qualified (including but not limited to both BFE and PFE \geq 98%) non-medical face masks for adults and teens.

On a longer time horizon beyond the COVID-19 pandemic, the Segment believes that the medical and healthcare products sector, which is relatively stable with a higher entry barrier, can enhance its overall profitability. After the successful launch of its own branded face mask, the sector has been actively exploring the possibility to collaborate with different players on new projects, and was able to secure a new client during the Period. Supported by the Segment's outstanding qualification, good track record, and strong manufacturing experience and facility, it is expected that the project will be kicked off in FY2023, and enter mass production in the next financial year.

For future view

The Segment will continue to diversify its production base geographically with a "China Plus One" strategy to answer the needs of most of our overseas customers. As labour cost continues to increase in the PRC, and trade disputes become increasingly frequent among major economies, the Segment will commission a production facility in Malaysia in the ensuing financial year, in order to yield maximum production efficiency and flexibility, allowing the Segment to penetrate regional markets and provide the most competitive solutions to its customers.

Compared to the last year, the Segment remains cautiously optimistic, supported by the recent recovery in orders, various new projects on hand as well as a more diversified customer portfolio. Despite the varying order contributions from each of the new customers, which could potentially lead to sales volatility in the short term, the Segment remains optimistic over their prospect in the medium-to-long-term and will look to introduce new products and competitive solutions to secure additional orders and further market shares in the future.

Motors Business Segment

The Motors Segment focuses on the development, design, manufacturing and sales of electric motor drives and related products, ranging from direct-current ("DC") motors, alternating-current motors to encoders and related products. Recently, its product offerings continued to expand and evolve, covering the development of larger-sized motor drives and brushless DC motors, as the latest attempt to capture technological trends and market demand. With major production facilities located in Shixing and Dushan, it is supplemented by the production facility in Malaysia, the Segment has essentially established a dual-base production and R&D platform. Through such a platform, the Segment is able to provide customers with innovative, flexible, closer-to-market, yet cost-competitive manufacturing solutions, allowing them to quickly tap into new markets and secure market share. The Segment has been categorised into four sectors of application, namely automobiles, office automation equipment, toys, and household appliances.

Since 2020, the massive outbreak of COVID-19 has brought unprecedented challenges to the global economy, with most industries being severely hit by the pandemic. However, the expanding reach of vaccination programs offered reasons to be optimistic. According to the news from Precision Vaccinations, by the end of October, 49.3% of the global population have received at least one dose of the COVID-19 vaccine. The growing penetration, as well as the increasing effectiveness of pandemic control measures, have since revived consumer sentiment and product demand. As people gradually adapted to the new normal, new phenomenon such as the stay-at-home economy also became increasingly prevailing, and that has driven the demand for the Segment's motor products.

In particular, attributable to the growing number of people who are required to work remotely or study online, the pandemic has led to an increase in demand for office equipment, such as home use printers. The pandemic has also led to new opportunities for home appliances and toys, as consumers spent more time at home, became increasingly hygiene-oriented, while placing a growing emphasis on living qualities. All that have contributed to the solid demand for the Segment's motor products. Compounded by the Segment's effort on product R&D, in which the Segment was able to provide higher ticket-price, premium products, such as mid-to-large size motor and other sophisticated motors, to match customers' latest product development, external turnover of the Segment reached HK\$562,896,000 (1H FY2021: HK\$505,790,000) during the Period, representing an 11.3% increase YoY.

However, due to global supply chain disruptions, raw material prices and transportation costs have also increased significantly during the Period. Despite the Segment's best effort in cost containment, gross profit and gross profit margin still recorded a slight decline YoY, on the backdrop of cost pressure brought by Renminbi appreciation. Yet, riding on the expanding business scale, the Segment was able to achieve a lower operational gearing, and together with the reversal of provision for credit losses during the Period, the Segment was able to offset the decrease in gross profit, with Segment profit reaching HK\$48,850,000 (1H FY2021: HK\$41,893,000), representing a YoY increase of 16.6%.

Looking ahead, particularly in light of the rising cost pressure brought by the recent increase in the minimum wage in the PRC in the Guangdong Province, in order to maintain the Segment's competitive advantages, it will continue to keep abreast of market trends, while pushing for continuous enhancement by adopting the following strategies:

(i) *Proactively manage its operating risks*

Although it remains difficult to predict the behaviour of the global supply chain, the Segment has been and will continue to, maintain active communication with suppliers and customers to ease raw material and order fulfilment concerns, and adjust its production schedule in real-time to provide customers with best-in-class services. It is believed that such flexibility and reliability should help the Segment to retain existing customers, and will help to gain new orders as the global economy continues to recover, thus laying a solid foundation for future business performance.

(ii) *Diversify its customer base*

During the Period, the Segment added a new client to its already established customer portfolio. The project focuses on a totally new application of the Segment's motors, and is expected to commence in the 2H FY2022. Going forward, the Segment will explore further opportunities under such application. Geographically, the Segment will also actively reach out to potential customers in the ASEAN region, such as Thailand and Vietnam, where quarantine measures started to loosen and COVID-19 became increasingly under control, in order to broaden its revenue stream and resist cyclical risks.

(iii) *Continuous R&D to enhance product portfolio*

The Segment believes that strong R&D capabilities are essential in maintaining its competitive advantage in such a volatile market. After years of input and investment, the Segment's high-ticket products enjoyed a solid market demand and is now entering a mature stage, laying the foundation for market penetration and margin expansion. The Segment will continue its effort on R&D, and will look to develop more powerful, yet quieter, lighter and energy-saving motors to expand its product portfolio and satisfy changing market needs.

Non-manufacturing Business

Real Estate Development Business Segment

During the Period, the Segment continued to participate in two residential and commercial property development projects in Dushan Economic Development Zone, namely *The Royale Cambridge Residences* and *The Jardin Montsouris*.

The Segment was at a loss of HK\$7,020,000 during the Period (1H FY2021: a loss of HK\$21,224,000), mainly attributable to the fact that contracted sales of *The Jardin Montsouris* were not recognised as revenue, as the Segment has not obtained the final acceptance certificate for such project during the Period. No impairment loss was recorded in 1H FY2022, whereas a one-off impairment loss of HK\$20,400,000 was made in 1H FY2021.

The PRC property market was facing significant headwinds during the Period. The resurgence of COVID-19, along with ramped up efforts, including tightening rules for mortgage lending, to rein in excesses in the property sector by authorities in the PRC, have led to a cooling demand in housing units in general. Furthermore, the demand generated from shabby town demolition and resettlement scheme in Dashan was seen to be lowered since the beginning of FY2022. Under such circumstances, no significant sales of property units took place during the Period. Up to 30 September 2021, the aggregate number of residential units contracted for sale for *The Jardin Montsouris* project was 246 with a total consideration of approximately RMB107,500,000.

Given the prevailing market conditions, the Segment has put the development of other phases of the project on hold and would only focus its efforts and resources to complete the remaining minor construction work and auxiliary works particularly with respect to utilities supply to bring the Phase 1A of *The Jardin Montsouris* project to practical completion by securing the relevant final acceptance certificates, and eventually, explore every opportunity to sell the remaining completed property units in the ensuing future.

OUTLOOK

Although COVID-19 vaccines are expanding in coverage and improving in quality, the pandemic continues to bring lingering uncertainties to the global economy. In order to be resilient under the uncertain situation, the Group will take proactive measures to maintain a healthy financial position. The Group has been closely monitoring its account payables, account receivables and inventory levels to ensure a strong operating cash flow. At the same time, the Group will also adopt a stringent cost control in labour and logistics, in order to ease the Group's cost pressure and to ensure a stable profit margin.

As mentioned, the Group's dual production solution in the PRC and Malaysia should help the Group obtain new customers, as it provides the necessary production agility and business competitiveness under the current market condition. Apart from the existing production bases, the Group will continue to evaluate the Myanmar investment plan, as well as other possible options, as an attempt to further expand its manufacturing solutions.

The Group will also continue its R&D work to enhance product quality and features while increasing its automation level to reduce reliance on labour and improve the overall gross profit margin. Despite the strong headwinds, the Group is confident to gradually expand its footprint and increase its market share, thus creating greater values for its stakeholders.

LIQUIDITY AND FINANCIAL POSITION

The Group primarily used its internally generated cash flow and banking facilities to finance its operations and business development. The Group has always been executing a prudent and conservative strategy in its financial management. As at 30 September 2021, the Group had time deposits of HK\$13,272,000 (31 March 2021: HK\$13,607,000), cash and bank balances of HK\$323,586,000 (31 March 2021: HK\$390,556,000), and net current assets of HK\$474,638,000 (31 March 2021: net current assets HK\$417,886,000). As at 30 September 2021, shareholders' equity was HK\$1,582,179,000 (31 March 2021: HK\$1,499,496,000). Total consolidated banking facilities of the Group from all banks as at 30 September 2021 amounted to approximately HK\$841,593,000 (31 March 2021: HK\$1,013,939,000). As at 30 September 2021, total bank borrowings amounted to HK\$559,637,000 (31 March 2021: HK\$659,546,000).

As at 30 September 2021, the current ratio of the Group (current assets divided by current liabilities) was maintained at a healthy position at 1.32 times (31 March 2021: 1.29 times) and the gearing ratio of the Group (total bank borrowings divided by total equity) was 35.4% (31 March 2021: 44.0%). Based on the above, the Group continued to enjoy a healthy financial position with sufficient financial resources to support its future development.

CAPITAL STRUCTURE

As at 30 September 2021, the total issued share capital of the Company was HK\$43,896,000 (31 March 2021: HK\$43,896,000), comprising 438,960,000 (31 March 2021: 438,960,000) ordinary shares of HK\$0.10 each.

CHARGE ON THE GROUP'S ASSETS

The Group's bank deposits of HK\$18,057,000 (31 March 2021: HK\$17,975,000) and an investment property of HK\$47,773,000 (31 March 2021: HK\$47,556,000) were pledged to a bank in PRC for bank facilities of HK\$96,304,000 as at 30 September 2021 (31 March 2021: HK\$95,867,000).

FOREIGN CURRENCY EXPOSURE

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars, RMB and U.S. dollars. The Group does not have a foreign currency hedging policy on it. In order to manage and minimise the foreign exchange risk, the management shall from time-to-time review and monitor the foreign exchange exposure and will consider hedging the significant foreign currency exposure when appropriate and necessary.

MATERIAL ACQUISITIONS AND DISPOSAL

During the Period, the Group was neither involved in any significant investment, nor any material acquisitions or disposals of any subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2021, the Group employed over 6,500 full-time employees, of which less than 100 were stationed in Hong Kong headquarters with the remaining working in the PRC and Malaysia.

The remuneration committee of the Company made recommendation to the Board on the policy and structure of the Company for all remuneration of Directors, and reviewed and determined the remuneration package of individual executive Director and senior management of the Company with reference to the Board's corporate goals and objectives, responsibilities and employment conditions elsewhere within the Group and in the market. The Group remunerates its employees largely in accordance with prevailing industry standards. In Hong Kong, the Group's employee benefits include staff retirement scheme, medical scheme and performance bonus. In the PRC and Malaysia, the Group provides its employee staff welfare and allowances in accordance with prevailing labour laws. The Group has also put in place a share option scheme to motivate and reward staff with outstanding performance. At the discretion of the Board, the Group's employees will be granted the options, of which the number of options granted is determined by individual performance and level of responsibilities.

DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2021 (1H FY2021: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

OTHER DISCLOSURE UPDATES

Reference is made to the voluntary announcement made by the Company on 12 May 2021 in relation to the framework agreement in respect of the potential disposal of the factory land and buildings in Shaoguan City. The Company and the Shaoguan Municipal People's Government has exchanged views with respect to the key terms and conditions of the aforesaid potential disposal on a confidential basis. However, no definitive agreement has been arrived at and since the negotiation between the parties is still ongoing, further disclosure in relation to the potential disposal will be made by the Company in accordance with the requirements under the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited as and when appropriate.

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance which is crucial to the long-term development of the Group and to safeguard the interests of the Company's shareholders. In the opinion of the Board, the Company has complied with all code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the Period, except for the following deviation:

Under the code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer shall be separated and should not be performed by the same individual and the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The roles of the chairman and the chief executive officer of the Company are not separated and are performed by the same individual, Mr. Cheng Chor Kit. The balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals, with a high independent element in the Board, where the Board members meet regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code on terms no less exacting than the required standard set out in the Model Code regarding the Directors' dealings in the securities of the Company.

Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2021. The relevant employees who, because of their office in the Group, are likely to be in possession of unpublished inside information have been requested to comply with the provisions of the Model Code.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial information for the six months ended 30 September 2021.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is available for viewing on the website of the Stock Exchange at www.hkex.com.hk and that of the Company at www.kinyat.com.hk. The interim report of the Company for the six months ended 30 September 2021 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and made available on the above websites in due course.

By order of the Board
Cheng Chor Kit
Chairman and Chief Executive Officer

Hong Kong, 29 November 2021

As at the date of this announcement, the Board comprises ten Directors, of which five executive Directors, namely Mr. CHENG Chor Kit, Mr. LIU Tat Luen, Mr. CHENG Tsz To, Mr. CHENG Tsz Hang and Mr. Lee Kim Wa, Winston; one non-executive Director, Dr. FUNG Wah Cheong, Vincent, and four are independent non-executive Directors, namely Mr. WONG Chi Wai, Dr. SUN Kwai Yu, Vivian, Mr. CHENG Kwok Kin, Paul and Mr. CHEUNG Wang Ip.