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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

The Board of Directors (the "Board") of Kin Yat Holdings Limited (the "Company") would like to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2022, together with the comparative figures for the previous corresponding year and the relevant explanatory notes, as set out below:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2022

	Notes	**2022** **HK$'000**	2021 HK$'000
Revenue	2	**2,316,315**	2,693,865
Cost of sales	4	**(2,070,783)**	(2,374,220)
Gross profit		**245,532**	319,645
Other income and gains, net	3	**67,030**	94,044
Selling and distribution expenses	4	**(64,916)**	(59,611)
Administrative expenses	4	**(162,847)**	(184,140)
Impairment losses on financial assets		**(1,786)**	(20,046)
Finance costs, net		**(8,606)**	(9,806)
Share of losses of an associate		**–**	(31)
Profit before income tax		**74,407**	140,055
Income tax expense	5	**(17,549)**	(35,914)
Profit for the year from continuing operations		**56,858**	104,141
Discontinued operation			
Loss for the year from discontinued operation		**–**	(702)
Profit for the year		**56,858**	103,439
Profit/(loss) attributable to:			
Equity holders of the Company		**56,858**	103,626
Non-controlling interests		**–**	(187)
		56,858	103,439
Profit/(loss) attributable to the equity holders of the Company arisen from:			
Continuing operations		**56,858**	104,328
Discontinued operation		**–**	(702)
		56,858	103,626

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	2022 HK$'000	2021 HK$'000
Profit for the year	**56,858**	103,439
Other comprehensive income arisen from continuing operations:		
Items that may be reclassified to the income statement:		
Exchange translation reserve on translation of foreign operations	**51,929**	129,925
Release of exchange translation reserve upon disposal of subsidiaries	**–**	340
	51,929	130,265
Other comprehensive (loss)/income not to be reclassified to the income statement in subsequent periods:		
(Deficit)/surplus on revaluation of land and buildings	**(23,859)**	52,776
Deferred tax credited/(debited) to asset revaluation reserve	**5,486**	(10,519)
	(18,373)	42,257
Other comprehensive loss arisen from discontinued operation:		
Item that may be reclassified to the income statement:		
Exchange translation reserve on translation of foreign operations	**–**	(60)
Other comprehensive income for the year, net of tax	**33,556**	172,462
Total comprehensive income for the year	**90,414**	275,901

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**90,414**	275,866
Non-controlling interests		**–**	35
		90,414	275,901
Total comprehensive income/(loss) for the year attributable to equity holders of the Company arisen from:			
Continuing operations		**90,414**	276,628
Discontinued operation		**–**	(762)
		90,414	275,866
Earnings/(losses) per share attributable to equity holders of the Company			
Basic			
Continuing operations		**HK12.95 cents**	HK23.77 cents
Discontinued operation		**N/A**	HK(0.16) cents
Total – included discontinued operation	*7*	**HK12.95 cents**	HK23.61 cents
Diluted			
Continuing operations		**HK12.95 cents**	HK23.77 cents
Discontinued operation		**N/A**	HK(0.16) cents
Total – included discontinued operation	*7*	**HK12.95 cents**	HK23.61 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**983,239**	1,070,374
Investment properties		**65,280**	66,028
Right-of-use assets		**34,652**	26,334
Properties under development		**42,217**	41,043
Intangible assets		**10,857**	7,873
Financial assets at fair value through profit or loss		**12,684**	12,283
Prepayments and deposits		**85,843**	104,494
Deferred tax assets		**5,745**	8,202
Total non-current assets		**1,240,517**	1,336,631
Current assets			
Properties under development		**411,898**	316,787
Completed properties held for sale		**143,954**	143,905
Inventories		**286,886**	361,901
Accounts and bills receivable	*8*	**289,319**	368,089
Prepayments, deposits and other receivables		**236,397**	245,568
Financial assets at fair value through profit or loss		**14,508**	11,715
Tax recoverable		**11,339**	4,099
Pledged deposits	*9*	**12,326**	17,975
Time deposits		**13,355**	13,607
Restricted bank deposits	*9*	**650**	538
Cash and cash equivalents		**256,934**	390,018
Total current assets		**1,677,566**	1,874,202
Total assets		**2,918,083**	3,210,833

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**43,896**	43,896
Reserves		**1,546,014**	1,455,600
Total equity		**1,589,910**	1,499,496
LIABILITIES			
Non-current liabilities			
Deferred income and other payable		**17,515**	24,158
Bank borrowings	*11*	**111,800**	191,874
Lease liabilities		**6,941**	1,892
Deferred tax liabilities		**40,075**	37,097
Total non-current liabilities		**176,331**	255,021
Current liabilities			
Accounts and bills payable, other payables and provisions	*10*	**478,742**	779,319
Contract liabilities		**180,761**	123,093
Bank borrowings	*11*	**417,347**	467,672
Lease liabilities		**5,979**	1,880
Tax payable		**69,013**	84,352
Total current liabilities		**1,151,842**	1,456,316
Total liabilities		**1,328,173**	1,711,337
Total equity and liabilities		**2,918,083**	3,210,833

NOTES

1. BASIS OF PREPARATION

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets, certain classes of property, plant and equipment and investment properties, which are measured at fair value.

(c) Amended standards and revised conceptual framework adopted by the Group

The Group has applied the following amendments to existing standards for the first time for their annual reporting period commencing 1 April 2021:

Amendments to HKFRS 16	Covid-19-related rent concessions and Covid-19-related rent concessions beyond 30 June 2021
Amendments to Hong Kong Accounting Standards ("HKAS") 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The amendments to existing standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

1. BASIS OF PREPARATION (continued)

(d) New standard and amendments to existing standards not yet adopted

A new accounting standard and certain amendments to existing standards have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKAS 16	Proceeds before intended use	1 April 2022
Amendments to HKAS 37	Onerous contracts – costs of fulfilling a contract	1 April 2022
Amendments to HKFRS 3 (Revised)	Update reference to the conceptual framework	1 April 2022
Annual Improvements Project (Amendments)	Annual improvements to HKFRSs 2018-2020	1 April 2022
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 April 2022
Amendments to HKAS 1 (Revised)	Classification of liabilities as current or non-current	1 April 2023
Amendments to HKAS 1 (Revised) and HKFRS Practice Statement 2	Disclosure of accounting policies	1 April 2023
Amendments to HKAS 8	Definition of accounting estimates	1 April 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 April 2023
HKFRS 17	Insurance contracts	1 April 2023
HK Interpretation 5 (2020)	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	1 April 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The directors of the Company are of the opinion that the adoption of the above new standard and amendments to existing standards would not have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standard and amendments to existing standards when they become effective.

2. SEGMENT INFORMATION

Chief operating decision maker ("CODM") has been identified as the Board of Directors of the Company (the "Directors"). CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

For management purposes, the Group is organised into business units based on their products and services and has three 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; and

(c) the real estate development segment.

The operation of the glass technology and application segment was disposed during the year ended 31 March 2021.

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 consolidated financial statements.

Group financing (including finance costs and finance income) 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.

Segment assets exclude unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated liabilities as these liabilities are managed on a group basis.

2. **SEGMENT INFORMATION (continued)**

(a) Operating segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 March 2022 and 2021.

31 March 2022

	Electrical and electronic products *HK$'000*	Motors *HK$'000*	Real estate development *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue						
Revenue from external customers						
Timing of revenue recognition						
– At a point of time	**1,267,957**	**1,044,052**	**4,306**	**–**	**–**	**2,316,315**
Inter-segment sales	**34,582**	**4,021**	**–**	**–**	**(38,603)**	**–**
Total	**1,302,539**	**1,048,073**	**4,306**	**–**	**(38,603)**	**2,316,315**
Other income/(expenses) and gains/(losses), net	**14,713**	**51,419**	**(2,370)**	**–**	**–**	**63,762**
Segment results	**37,648**	**71,350**	**(13,503)**	**(3,497)**	**–**	**91,998**
Unallocated gain, net						**3,268**
Unallocated expenses						**(12,253)**
Finance costs, net						**(8,606)**
Profit before income tax						**74,407**
Income tax expense						**(17,549)**
Profit for the year						**56,858**

2. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

31 March 2022 (continued)

	Electrical and electronic products *HK$'000*	Motors *HK$'000*	Real estate development *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment assets	**1,687,514**	**1,103,991**	**769,864**	**38,170**	**(1,064,859)**	**2,534,680**
Unallocated assets						**383,403**
Total assets						**2,918,083**
Segment liabilities	**277,238**	**313,556**	**853,433**	**282,693**	**(1,064,859)**	**662,061**
Unallocated liabilities						**666,112**
Total liabilities						**1,328,173**
Other segment information:						
Capital expenditure	**7,969**	**36,149**	**6**	**–**	**–**	**44,124**
Depreciation and amortisation	**61,903**	**71,122**	**132**	**1,644**	**–**	**134,801**
Gain on disposal of property, plant and equipment, net	**–**	**(34)**	**–**	**–**	**–**	**(34)**
Deficit on revaluation of land and buildings recognised directly in equity	**10,950**	**10,384**	**–**	**2,525**	**–**	**23,859**
Fair value loss on investment properties	**–**	**–**	**2,601**	**–**	**–**	**2,601**

2. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

31 March 2021

	Continuing operations						Discontinued operation		
	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$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Segment revenue									
Revenue from external customers									
Timing of revenue recognition									
– At a point of time	1,639,837	1,048,551	5,477	–	–	2,693,865	2,461	–	2,696,326
– Over time	–	–	–	–	–	–	3,050	–	3,050
	1,639,837	1,048,551	5,477	–	–	2,693,865	5,511	–	2,699,376
Inter-segment sales	39,779	3,256	–	–	(43,035)	–	–	–	–
Total	1,679,616	1,051,807	5,477	–	(43,035)	2,693,865	5,511	–	2,699,376
Other income and gains, net	35,220	46,143	7,149	1,620	–	90,132	46	–	90,178
Segment results	138,447	55,994	(24,989)	(7,577)	–	161,875	(740)	–	161,135
Unallocated gain, net						3,912			3,912
Unallocated expenses						(15,895)			(15,895)
Finance costs, net						(9,806)			(9,806)
Share of losses from investment in an associate						(31)			(31)
Profit before income tax						140,055			139,315
Income tax (expense)/credit						(35,914)	38	–	(35,876)
Profit for the year						104,141			103,439

2. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

31 March 2021 (continued)

	Continuing operations						Discontinued operation		
	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$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Segment assets	1,785,507	1,185,504	689,103	43,296	(987,687)	2,715,723	–	–	2,715,723
Unallocated assets						495,110			495,110
Total assets						3,210,833			3,210,833
Segment liabilities	394,041	465,468	756,415	283,084	(987,687)	911,321	–	–	911,321
Unallocated liabilities						800,016			800,016
Total liabilities						1,711,337			1,711,337
Other segment information:									
Capital expenditure	9,369	76,699	8	–	–	86,076	–	–	86,076
Depreciation and amortisation	55,095	63,990	125	2,870	–	122,080	–	–	122,080
Loss/(gain) on disposal of property, plant and equipment, net	(169)	1,364	–	–	–	1,195	–	–	1,195
Surplus on revaluation of land and buildings recognised directly in equity	(38,798)	(8,940)	–	(5,038)	–	(52,776)	–	–	(52,776)
Fair value gain on investment properties	–	–	(3,462)	–	–	(3,462)	–	–	(3,462)

2. SEGMENT INFORMATION (continued)

(b) Geographical information

	United States of America		Europe		Asia		Others		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Revenue from external customers										
– Continuing operations	**997,524**	1,166,023	**288,741**	489,623	**1,030,050**	1,038,219	**–**	–	**2,316,315**	2,693,865
– Discontinued operation	**–**	–	**–**	–	**–**	5,511	**–**	–	**–**	5,511

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

	Hong Kong		Mainland China		Malaysia		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Non-current assets	**6,206**	7,884	**1,182,063**	1,272,886	**33,819**	35,376	**1,222,088**	1,316,146

The non-current assets for the above segment information consist of property, plant and equipment, investment properties, right-of-use assets, properties under development, intangible assets and prepayments, deposits and other receivables, but exclude deferred tax assets and financial assets at fair value through profit or loss.

3. OTHER INCOME AND GAINS, NET

	2022	2021
	HK$'000	*HK$'000*
Fair value gain on financial assets at fair value through profit or loss, net	**4,155**	3,322
Fair value (loss)/gain on investment properties, net	**(2,601)**	3,462
Gain/(loss) on disposal of property, plant and equipment, net	**34**	(1,195)
Gain on disposal of equity interest in an associate	**–**	729
Gain on disposal of a subsidiary	**605**	1,621
Gain on termination of leases	**–**	142
Gross rental income	**1,767**	512
Sales of scrap materials	**11,257**	10,001
Subsidy income *(Note)*	**44,970**	66,914
Others	**6,843**	8,536
	67,030	94,044

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 year ended 31 March 2022, subsidies income amounting to HK$44,970,000 (2021: HK$66,914,000) are recognised in profit or loss, including the recognition of deferred government subsidy income of HK$39,895,000 (2021: HK$36,965,000).

4. PROFIT BEFORE TAX

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

	2022	2021
	HK$'000	*HK$'000*
Cost of inventories sold	**1,443,250**	1,716,739
Cost of properties sold	**4,002**	5,204
Depreciation of property, plant and equipment	**129,588**	119,635
Depreciation of right-of-use assets	**5,213**	2,445
Employee benefit expenses	**499,341**	507,663
Auditor's remuneration	**3,180**	3,100
Legal and professional fee	**7,018**	8,478
Short-term lease expenses	**233**	911
Provision for impairment of inventories, net	**4,583**	5,086
Impairment of properties under development	**–**	4,456
Impairment of completed properties held for sale	**–**	15,944

5. INCOME TAX

	2022	2021
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**6,459**	13,400
Adjustment for current tax of prior years	**938**	4,883
Current – Elsewhere		
Charge for the year	**3,555**	15,495
Adjustment for current tax of prior years	**(3,856)**	(3,666)
Deferred tax	**10,453**	5,802
Total tax charge for the year	**17,549**	35,914

6. DIVIDENDS

The Board has resolved not to declare any final dividend for the year ended 31 March 2022 (2021: Nil).

7. EARNINGS PER SHARE

A reconciliation of the earnings used in calculating earnings per share is as follows:

	2022	2021
	HK$'000	*HK$'000*
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share:		
From continuing operations	**56,858**	104,328
From discontinued operation	**–**	(702)
	56,858	103,626

Basic earnings per share is calculated by dividing:

– profit for the year attributable to equity holders of the Company of HK$56,858,000 (2021: HK$103,626,000),

– by the weighted average number of ordinary shares of 438,960,000 (2021: 438,960,000) in issue during the year.

	2022	2021
	HK cents	*HK cents*
Earnings from continuing operations per share	**12.95**	23.77
Loss from discontinued operation per share	**–**	(0.16)
Total basic earnings per share attributable to the equity holders of the Company	**12.95**	23.61

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

– the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

– the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

7. EARNINGS PER SHARE (continued)

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

	2022	2021
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**438,960,000**	438,960,000

	2022	2021
	HK cents	*HK cents*
Diluted earnings from continuing operations per share	**12.95**	23.77
Diluted loss from discontinued operation per share	**–**	(0.16)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**12.95**	23.61
Earnings from continuing operations per share		
– Basic earnings per share	**12.95**	23.77
– Diluted earnings per share	**12.95**	23.77
Loss from discontinued operation per share		
– Basic loss per share	**–**	(0.16)
– Diluted loss per share	**–**	(0.16)

Diluted earnings/(losses) per share

The diluted earnings/(losses) from continuing operations and discontinued operation per share is equal to the basic earnings/(losses) per share for the year ended 31 March 2022 and 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 year.

8. 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:

	2022	2021
	HK$'000	*HK$'000*
0 – 30 days	**151,965**	168,566
31 – 60 days	**66,476**	89,109
61 – 90 days	**43,003**	92,806
Over 90 days	**42,873**	32,390
	304,317	382,871
Loss allowance	**(14,998)**	(14,782)
	289,319	368,089

9. RESTRICTED BANK DEPOSITS AND PLEDGED DEPOSITS

As at 31 March 2022, the Group's pledged deposits were denominated in Renminbi ("RMB") and placed in a bank to secure a bank facility (Note 11). Included in restricted bank deposits as at 31 March 2022 are RMB527,000 (equivalent to HK$650,000) (2021: RMB448,000 (equivalent to HK$538,000)) pledged to bank for trade financing.

10. ACCOUNTS AND BILLS PAYABLE

At 31 March 2022, the aging analysis of the accounts and bills payable based on invoice date are as follows:

	2022	2021
	HK$'000	*HK$'000*
0 – 30 days	**100,493**	167,576
31 – 60 days	**50,208**	102,940
61 – 90 days	**62,118**	155,397
Over 90 days	**100,584**	136,990
	313,403	562,903

11. BANK BORROWINGS

	2022	2021
	HK$'000	*HK$'000*
Unsecured		
Current portion	**412,071**	455,689
Non-current portion	**111,800**	191,874
	523,871	647,563
Secured		
Current portion	**5,276**	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 2025 and bear average interest at 2.8% (2021: 2.7%) per annum.

At 31 March 2022, based on the contractual repayment terms including repayable on demand clause, the Group's bank borrowings maturity analysis would be as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 1 year or on demand	**417,347**	467,672
Between 1 and 2 years	**21,350**	191,874
Between 2 and 5 years	**90,450**	–
	529,147	659,546

The following table summarises the maturity analysis of the bank borrowings which are subject to repayment on demand based on scheduled repayment dates:

	2022	2021
	HK$'000	*HK$'000*
Within 1 year	**17,500**	27,500
Between 1 and 2 years	**21,875**	27,500
Between 2 and 5 years	**26,250**	10,000
	65,625	65,000

As at 31 March 2022, the Group has uncommitted undrawn bank facilities amounting to HK$165,512,000 (2021: HK$83,053,000). As at 31 March 2022, the Group was in compliance with all bank borrowing covenants (2021: Same).

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 as well as a premier provider of electric motor drives and related products under its own house brand. Leveraging its four decades of experience in the industry and strong research and development ("R&D") capability, the Group has been strengthening its resilience in riding the waves of changes in geo-political and macroeconomic landscape by deploying a multi-pronged strategy which would involve rebalancing of customer mix, geographical diversification in production base and reshaping of product mix with the aim to grow a more sustainable future. In particular, to kick off the initiatives to reshape the product portfolio, the Group established its house brand for healthcare products at the beginning of 2020 supported by the existing core advanced production equipment and technological know-how.

FINANCIAL REVIEW

For the year ended 31 March 2022 (the "Year" or "FY2022"), the global operating environment continued to fluctuate as COVID-19, supply chain disruption, and geopolitical disputes lingered, while governments and consumers slowly adapting to the "new normal" with new-found optimism. On such backdrop, the Group is committed to adapting, transforming, and diversifying in order to become more sustainable. In particular, a necessary business transformation by strategically reducing the orders from its significant customer of the Electrical and Electronic Products Business Segment (the "E&E 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 facilitating the E&E Segment to transit from a volume-driven growth to a margin-driven growth strategy. In light of the tough operating environment amidst the surging production and operating costs during the Year, the Motors Business Segment (the "Motors Segment") has no alternative but to call for a price increase notwithstanding that it could cause a short-run decrease in orders. 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 approximately HK$2,316,315,000.

In terms of segmental breakdown of total external turnover,

- E&E Segment: HK$1,267,957,000, representing 54.7% of the Group's consolidated turnover for the Year (for the Year ended 31 March 2021 ("2021"): HK$1,639,837,000, 60.9%);

- Motors Segment: HK$1,044,052,000, contributing 45.1% of the Group's consolidated turnover for the Year (2021: HK$1,048,551,000, 38.9%);

- Real Estate Development Business Segment: HK$4,306,000, 0.2% (2021: HK$5,477,000, 0.2%).

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. Overall gross profit margin decreased 1.3 percentage point from 11.9% to 10.6%, with gross profit decreased 23.2% from HK$319,645,000 to HK$245,532,000.

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 (FY2021: HK23.61 cents).

OPERATIONAL REVIEW

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"), Guizhou Province. The Group's production bases are also supplemented by a motors and encoder related product facility in Malaysia for the Motors Segment and also a manufacturing facility for the E&E Segment in Malaysia. During the Year, 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 E&E 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.

The Year represents a new beginning for the Group's E&E Segment. Previously, the Segment was predominantly led by one of the Group's significant customers from the robotics sector. 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.

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 sector is expected to enjoy a positive outlook in the near future. According to a report by Grand View Research, the global baby care products market is expected to reach USD25.4 billion by 2028, at a CAGR of 4.3% from 2021 to 2028. 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 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. Moter Intelligence also pointed out that, the smart home market is expected to enjoy a strong CAGR growth of 25.3% from 2022 to 2027, reaching USD313.95 billion by 2027.

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 ("FY2023").

Overall, the external turnover of E&E 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 of the Group, accounting for 54.7% (FY2021: 60.9%) of it. In the face of supply chain disruptions and rising raw material costs, overall segment profit recorded a decrease of 72.8% from approximately HK$138,447,000 to HK$37,648,000 during the Year, despite the Group's best effort in product price adjustment and cost control.

For the future view

The E&E Segment has achieved a remarkable transformation in product development and client acquisition under the gloom of COVID-19 and supply chain issues with a multifold rise in the number of customers and product categories. Looking forward, 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, in order to offer a cost-competitive and reliable service to its existing and new customers.

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

The Motors Segment focuses on the development, design, manufacturing and sales of electric motor drives and related products, ranging from direct-current ("DC") motors to encoders and related products. Recently, its product offering was extended to larger-sized motor drives and brushless DC motors, as its attempt to capture the latest technological trends and market demand. Supported by its major production facilities located in Shixing and Dushan, which are supplemented by the production facility in Malaysia, the Motors Segment has essentially established a dual-base production and R&D platform, able to provide customers with innovative, flexible, closer-to-market, yet cost-competitive manufacturing solutions. The Motors Segment has been categorised into four sectors of application, namely automobiles, office automation equipment, toys, and household appliances.

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 of approximately 26% in 2021 after another approximately 25% rise in 2020, 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 (FY2021: HK$55,994,000).

Riding on the recovery momentum of the global economy, the Segment has been actively acquiring new customers to diversify its revenue stream. During the Year, the Motors Segment has successfully acquired a number of new customers particularly from the automobile sector and home appliance sector, with mass production in FY2023.

Apart from new customers, the Segment has also developed the gearbox as a new product, which is under the category of 'Motor Plus', for an existing home appliance customer. 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.

For the future view

Looking into FY2023, 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. Equipped with strong R&D capability and a comprehensive and flexible manufacturing solution, the Motors Segment is keen on serving customers from different industries, with tailor-made product request at smaller order volume. This would allow the Group to expand its capability, improve order visibility, and enhance margin, laying a solid foundation for future growth.

Looking forward, the Motors Segment will continue to invest in R&D to develop more sophisticate products at higher-ticket price, and at the same time, working with existing customers to explore other motor plus products to raise customer stickiness and order volume.

Non-manufacturing Businesses

Real Estate Development Business Segment

During the Year, the Segment continued its engagement in the 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$13,503,000 during the Year (2021: a loss of HK$24,989,000). As the final acceptance certificates for such project were not obtained yet, contracted sales of The *Jardin Montsouris* were not able to be recognised as revenue during the Year. Besides, an impairment loss from changes in fair value of *The Royale Cambridge Residences* of HK$2,601,000 (2021: HK$16,938,000) were incurred, which is non-cash and non-recurring and non-cash in nature.

China's real estate market was hard hit during the Year. On the supply side, the property market was weakened by a government clampdown on excessive borrowing from developers. On the demand side, residential property market remained sluggish as China continued to uphold its zero-COVID policy and mortgage, with the lingering COVID-19 pandemic leading to lockdowns as well as restricted daily activities. According to the National Bureau of Statistics of China, the growth rate of investment in real estate development in 2022 apparently slowed from 7.0% to 4.4% in 2021.

Hence, the demand of the Group's real estate project in Dushan was severely impacted. Under such circumstances, no significant sales of property units took place during the Year. Up to 31 March 2022, the aggregate number of residential units contracted for sale for *The Jardin Montsouris* project was 248 with a total consideration of approximately RMB108,353,000. Only 2 units of *The Royale Cambridge Residences* were sold during the Year.

Looking ahead, despite the introduction of easing policies including the cancellation of home purchase restrictions, cuts in mortgage rates, and the requirement of smaller down-payments, China's property market condition is unlikely to improve in the short run, with prices remaining flat and sales and investment falling further. The recurring COVID-19 is also expected to put further pressure on the already fragile demand. In face of the uncertainties and gloomy operating environment, the Segment has put the development of other phases of the project on hold, and would instead, focusing its efforts and resources to complete the remaining minor construction work and auxiliary works that would bring the Phase 1A of *The Jardin Montsouris* project to practical completion. Once securing the relevant final acceptance certificates, the Group is looking to sell the remaining completed property units in the ensuing future.

OUTLOOK

According to the World Economic Outlook April 2022 published by the International Monetary Fund, the Russian-Ukraine conflict is likely to have a damaging impact on the global economy in 2022. The growing risk of inflation and interest rate hike, the unpredictability that comes with the withdrawal of fiscal support in many countries have all casted further doubts to the near-term outlook although China has set its GDP growth rate target for 2022 as high as 5.5%.

Facing these uncertainties, the Group will remain prudent in its operation, able to satisfy customer needs in a timely manner. While progressively expanding its customer portfolio, the Group will also maintain a healthy financial position by closely monitoring its working capital and adopting a stringent cost control measure, in order to prepare for the unexpected.

Since the Sino-U.S. trade tension, the Group has actively expanded its footprint by offering dual-production solutions. Given the uncertain economic outlook, the Group will continue to cautiously evaluate the Myanmar investment plan, as well as other possible options, to further diversify its manufacturing solutions in the long run. To drive efficiency enhancement and margin enhancement of existing plants, the Group is also looking to further adjust its production resources across PRC and Malaysia.

Lastly, the Group will continue to improve its core competency by increasing its investment in R&D on product enhancement and high value-added products development. By adopting the aforesaid strategies, the Group believes that it is well-positioned to start a new page for its journey, delivering higher value to its stakeholders.

DIVIDENDS

The Board has resolved not to declare any final dividend for the Year (2021: Nil).

FINANCIAL CONDITIONS, LIQUIDITY AND FINANCIAL RESOURCES

The Group primarily used its internally generated cash flows 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 31 March 2022, the Group had time deposits of HK$13,355,000 (31 March 2021: HK$13,607,000), cash and bank balances of HK$257,584,000 (31 March 2021: HK$390,556,000), and net current assets of HK$525,724,000 (31 March 2021: HK$417,886,000). As at 31 March 2022, shareholders' equity was HK$1,589,910,000 (31 March 2021: HK$1,499,496,000). Total consolidated banking facilities of the Group from all banks as at 31 March 2022 amounted to approximately HK$661,742,000 (31 March 2021: HK$1,013,939,000). As at 31 March 2022, total bank borrowings amounted to HK$529,147,000 (31 March 2021: HK$659,546,000).

As at 31 March 2022, the bank borrowings of the Group was repayable within one year amounted to HK$417,347,000 (31 March 2021: HK$467,672,000) and the remaining balance of HK$111,800,000 (31 March 2021: HK$191,874,000) was repayable within second to fifth years.

As at 31 March 2022, the current ratio of the Group (current assets divided by current liabilities) was maintained at 1.46 times (31 March 2021: 1.29 times) and the gearing ratio of the Group (total bank borrowings divided by total equity) was 33.3% (31 March 2021: 44.0%).

CAPITAL STRUCTURE

As at 31 March 2022, 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. There was no change in the share capital of the Company during the Year.

CHARGE ON THE GROUP'S ASSETS

The Group's bank deposits of HK$12,326,000 (31 March 2021: HK$17,975,000) and an investment property of HK$46,789,000 (31 March 2021: HK$47,556,000) were pledged to a bank in the PRC for banking facilities of HK$61,631,000 as at 31 March 2022 (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 and RMB or 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.

INTEREST RATE RISK

The Group's financial facilities are denominated in Hong Kong dollars and RMB and interests on bank borrowings are chargeable based on certain interest margin over the Hong Kong Interbank Offered Rate and the People's Bank of China lending rate which are therefore of floating rate in nature. The Group has not entered into any interest rate risk hedge to mitigate exposure to interest rate risk during the Year.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group employed around 5,600 full-time employees, of which less than 70 of them were stationed in Hong Kong headquarters with the remaining working in the PRC and Malaysia.

The Board's remuneration committee of the Company made recommendation to the Board on the policy and structure of the Company for all remuneration of Directors, 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's staff welfare and allowances in accordance with the 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.

CONNECTED TRANSACTIONS

With reference to the announcement of the Company dated 21 January 2020 in relation to the connected transaction with respect to the disposal of Unicon Investments Limited ("Unicon") to Mr Cheng Chor Kit ("Mr. Cheng"), an executive Director, the chairman and chief executive officer of the Company and the controlling shareholder of the Company (as defined under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules")), whereas, upon completion of the said disposal, Kin Yat Industrial Co Limited ("KYI"), an indirect wholly-owned subsidiary of the Company), as tenant, has entered into a tenancy agreement (the "Existing Tenancy Agreement") with Unicon, as landlord, in respect of the lease of property located at 7/F., Galaxy Factory Building, 25-27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong for a term of three years commencing from 1 April 2020 to 31 March 2023 (both days inclusive) for a monthly rental amount of HK$124,800 (inclusive of government rent, rates and management fee only). The transactions contemplated under the Existing Tenancy Agreement are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

On 27 January 2022, KYI, as tenant, entered into a tenancy agreement (the "New Additional Tenancy Agreement") with Century Grand International Limited ("Century Grand"), a company wholly owned by Mr. Cheng, as landlord, in respect of the lease of a premise located at Block B, 11/F., Galaxy Factory Building, 25-27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong, for a term of three years commenced from 1 February 2022 to 31 January 2025 (both days inclusive). Pursuant to the New Additional Tenancy Agreement, KYI agreed to lease the subject premises for a monthly lease rental of HK$17,900 (inclusive of government rent, rates, management fee and cleaning service fee). The subject premise is used by the Group as a product showroom and conference area.

Details of the abovesaid transactions were set out in the announcements of the Company dated 21 January 2020 and 27 January 2022 respectively, and the circular of the Company dated 11 March 2020.

As Century Grand is wholly owned by Mr. Cheng, Century Grand is a connected person of the Company. Accordingly, the entering into of the New Additional Tenancy Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. As all more applicable percentage ratios (as defined under the Listing Rules) in respect of the New Additional Tenancy Agreement are less than 5% and the total consideration is less than HK$3,000,000, the transactions contemplated under the New Additional Tenancy Agreement constitute de minimis transactions pursuant to Rule 14A.76(1)(c) of the Listing Rules and are fully exempt from Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

However, as the Existing Tenancy Agreement was entered into by the Group with Unicon (which is also wholly owned by Mr. Cheng), the transactions contemplated under the Existing Tenancy Agreement and the New Additional Tenancy Agreement shall be aggregated under Chapter 14A of the Listing Rules for the purpose of calculating the applicable percentage ratios under Chapter 14A of the Listing Rules. Given that one or more applicable percentage ratio(s) upon aggregation of the Existing Tenancy Agreement with the New Additional Tenancy Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the New Additional Tenancy Agreement are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Apart from described above, under the Listing Rules, the Company did not have any other disclosable non-exempted connected transaction during the Year and up to the date of this annual report.

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 Year.

DISCLOSURES PURSUANT TO R13.21 OF THE LISTING RULES

Banking facilities with covenants in relation to specific performance of the controlling shareholder (as defined under the Listing Rules) of the Company:

In April 2015 and November 2017, the Company as borrower, entered into a renewed and a new term loan facility agreement of HK$100,000,000 each with a bank ("Bank A") as lender for a term of 60 months of each term loan facility respectively. All term loans made under the foregoing two facilities were either repaid or substituted or renewed by the ensuing banking facilities offered by Bank A.

In May 2020, the Company as a borrower executed a banking facility agreement relating to two term loan facilities in the aggregate amount of HK$65,000,000 offered by Bank A (the "Facility 05/2020"). Under the foregoing agreement, the term loan amounting to HK$15,000,000 is repayable in 24 months commencing 19 April 2021 whilst another term loan of HK$50,000,000 is repayable in 30 months commencing 18 May 2021.

In November 2021, the Company as borrower entered into a banking facility agreement relating to a term loan in the amount of HK$70,000,000 offered by Bank A. The term loan facility will be repayable in 36 months after the date of loan drawdown and is to replace, substitute and refinance the outstanding loan balances drawn under the Facility 05/2020.

In January 2019, the Company as borrower entered into a renewed term loan facility agreement with a bank ("Bank B") (the "Facility 01/2019A") which was to substitute the two term loan agreements the Company entered into with Bank B in July 2015 and November 2017. Pursuant to the Facility 01/2019A, the renewed term loans are for a period of 36 months and including term loans of HK$45,000,000 to finance the capital expenditure of the Company and of HK$217,500,000 to refinance the outstanding balance of the loans previously granted.

In January 2019, an indirect wholly-owned subsidiary of the Company ("Subsidiary A") as borrower, entered into a term loan facility agreement of HK$55,000,000 with Bank B for a term of 36 months from the date of drawdown (the "Facility 01/2019B).

In February 2020, the Company as borrower entered into a term loan agreement with Bank B with the purpose to substitute the term loan facilities under the Facility 01/2019A entered in January 2019. Pursuant to the foregoing facility agreement, term loans in the aggregate amount of HK$239,950,000 with a term of 36 months from the date of drawdown were granted, encompassing term loans in the aggregate amount of HK$179,950,000 designated to finance the Group's capital expenditure; and of HK$60,000,000 to partially refinance the Company's existing indebtedness (the "Facility 02/2020").

In September 2021, the Company and Subsidiary A, as borrowers, were each offered by Bank B a new term loan facility. The 2 new term loan facilities agreements carrying the terms of 36 months from the dates of loan drawdowns were executed in October 2021. The new term loan facility in aggregate facility limits of up to HK$175,566,000 offered to the Company encompassed term loans in a tally of HK$115,566,000 to refinance the outstanding term loans indebted to Bank B drawn under the Facility 02/2020 and a new term loan of HK$60,000,000 to refinance CAPEX investment. Subsidiary A was offered the new term loan facility in the amount of up to HK$33,000,000 to replace, substitute and refinance the outstanding term loans drawn under the Facility 01/2019B.

The foregoing Facility 01/2019B and Facility 02/2020 became lapsed after the execution of the 2 new term loan facility agreements made available to the Company and Subsidiary A in October 2021.

In May 2018, an indirect wholly-owned subsidiary of the Company ("Subsidiary B") as borrower, entered into a new term loan and trade-line facility agreement of total HK$50,000,000 with a bank ("Bank C") (the "Facility 05/2018"). The purpose of the term loan facility is used for financing capital expenditure with a term of 35 months from the loan drawdowns. The outstanding loan balance in the amount of HK$32,000,000 under the aforesaid term loan facility, with its maturity of repayment further extended to June 2022 pursuant to a supplement facility letter offered by Bank C in March 2020.

Subsequent to the year end at 31 March 2022, Bank C offered Subsidiary B as a borrower, new General Banking Facilities in April 2022, which are to replace and substitute the Facility 05/2018, comprising a new term loan designated for profits tax payment with a term of 24 months from the date of drawdown and the outstanding loan balance under the Facility 05/2018 with the final repayment due in June 2022 in a tally of approximately HK$33,700,000 and a trade-line up to an aggregate maximum limit of HK$62,000,000. The new facility agreement was entered into in May 2022. The Facility 05/2018 became lapsed in tandem.

In addition to general terms and conditions, each of the above facility agreements imposes, *inter alia*, a condition that Mr. Cheng Chor Kit ("Mr. Cheng"), the executive Director and the controlling shareholder of the Company (as defined under the Listing Rules), and his direct family member(s) collectively shall beneficially or directly or indirectly maintain a shareholding of not less than 50% of the issued share capital of the Company. Mr. Cheng shall continue to be chairman of the Board under the facility agreement entered into with Bank C. These conditions are collectively constituted as the specific performance of the controlling shareholder of the Company (the "Specific Performance Obligations"). A breach of the Specific Performance Obligations will constitute an event of default under the relevant facility letter. Upon the occurrence of such event, each of the loan shall become immediately due and repayable on demand.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There is no significant event after the reporting period that should be notified to shareholders of the Company.

CORPORATE GOVERNANCE PRACTICES

The Board regularly reviews the guidelines and latest development in corporate governance. Except for the deviation described below, in the opinion of the Board, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the Year. The Board has reviewed the Corporate Governance Report (the "CG Report") and is satisfied that it has been in full compliance with all the requirements stipulated in the CG Report in Appendix 14 of the Listing Rules.

Chairman and Chief Executive Officer

Pursuant to provision C.2.1 of the CG Code, the roles of 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 calibre individuals, with a highly independent element in the Board where the Board members meet regularly to discuss issues affecting the 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 for Securities Transactions by Directors of Listed Issuers (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 securities transactions by the Directors.

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 Year. All relevant employees of the Group who, because of their office in the Group, are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Board has reviewed the consolidated results (including the consolidated financial statements) of the Group for the Year.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 16 August 2022 to Friday, 19 August 2022, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the annual general meeting of the Company to be held on Friday, 19 August 2022, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 15 August 2022.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and is available on the Company's website at www.kinyat.com.hk. An annual report for the Year will be dispatched to the Company's shareholders and available on the said websites in due course.

On behalf of the Board
Cheng Chor Kit
Chairman and Chief Executive Officer

Hong Kong, 29 June 2022

As at the date of this announcement, the Board comprises (a) 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; (b) one non-executive Director, Dr. FUNG Wah Cheong, Vincent; (c) four independent non-executive Directors, namely Mr. WONG Chi Wai, Dr. SUN Kwai Yu, Vivian, Mr. CHENG Kwok Kin, Paul and Mr. CHEUNG Wang Ip.