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 2023

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 2023, 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 2023

	Notes	**2023** **HK$'000**	2022 HK$'000
Revenue	2	**1,209,602**	2,316,315
Cost of sales	4	**(1,082,937)**	(2,070,783)
Gross profit before impairment		**126,665**	245,532
Cost of sales – Impairment loss on property, plant and equipment	4	**(50,790)**	–
Cost of sales – Impairment of properties under development and completed properties held for sale	4	**(240,078)**	–
Gross (loss)/profit after impairment		**(164,203)**	245,532
Other income and gains, net	3	**36,579**	67,030
Selling and distribution expenses	4	**(38,185)**	(64,916)
Administrative expenses	4	**(119,183)**	(162,847)
Impairment loss on goodwill	4	**(6,207)**	–
Reversal of impairment losses/(impairment losses) on financial assets		**5,139**	(1,786)
Operating (loss)/profit		**(286,060)**	83,013
Finance income		**1,599**	1,101
Finance costs		**(13,262)**	(9,707)
Finance costs, net		**(11,663)**	(8,606)
(Loss)/profit before income tax		**(297,723)**	74,407
Income tax credit/(expense)	5	**3,554**	(17,549)
(Loss)/profit for the year		**(294,169)**	56,858
(Loss)/profit attributable to:			
Equity holders of the Company		**(294,169)**	56,858

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
(Loss)/profit for the year		**(294,169)**	56,858
Other comprehensive income arisen from continuing operations:			
Items that may be reclassified to the income statement:			
Exchange translation reserve on translation of foreign operations		**(156,631)**	51,929
		(156,631)	51,929
Other comprehensive (loss)/income not to be reclassified to the income statement in subsequent periods:			
Deficit on revaluation of land and buildings		**(43,527)**	(23,859)
Deferred tax credited to asset revaluation reserve		**9,102**	5,486
		(34,425)	(18,373)
Other comprehensive (loss)/income for the year, net of tax		**(191,056)**	33,556
Total comprehensive (loss)/income for the year		**(485,225)**	90,414
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the Company		**(485,225)**	90,414
(Loss)/earnings per share attributable to equity holders of the Company			
Basic and diluted	*7*	**HK(67.01) cents**	HK12.95 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**781,528**	983,239
Investment properties		**54,016**	65,280
Right-of-use assets		**29,484**	34,652
Properties under development		**103,216**	42,217
Intangible assets		**4,651**	10,857
Financial assets at fair value through profit or loss		**–**	12,684
Prepayments and deposits		**24,571**	85,843
Deferred tax assets		**4,145**	5,745
Total non-current assets		**1,001,611**	1,240,517
Current assets			
Properties under development		**207,404**	411,898
Completed properties held for sale		**79,128**	143,954
Inventories		**195,559**	286,886
Accounts receivable	*8*	**210,742**	289,319
Prepayments, deposits and other receivables		**114,333**	236,397
Financial assets at fair value through profit or loss		**27,408**	14,508
Tax recoverable		**4,457**	11,339
Pledged deposits		**–**	12,326
Time deposits		**10,006**	13,355
Restricted bank deposits	*9*	**1,093**	650
Cash and cash equivalents		**203,372**	256,934
		1,053,502	1,677,566
Assets classified as held for sale	*10*	**41,100**	–
Total current assets		**1,094,602**	1,677,566
Total assets		**2,096,213**	2,918,083

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**43,896**	43,896
Reserves		**1,060,789**	1,546,014
Total equity		**1,104,685**	1,589,910
LIABILITIES			
Non-current liabilities			
Deferred income and other payables		**36,767**	17,515
Bank borrowings	*12*	**82,200**	111,800
Lease liabilities		**6,477**	6,941
Deferred tax liabilities		**29,387**	40,075
Total non-current liabilities		**154,831**	176,331
Current liabilities			
Accounts and bills payable, other payables and provisions	*11*	**346,325**	478,742
Contract liabilities		**158,958**	180,761
Bank borrowings	*12*	**269,065**	417,347
Lease liabilities		**5,596**	5,979
Tax payable		**56,753**	69,013
Total current liabilities		**836,697**	1,151,842
Total liabilities		**991,528**	1,328,173
Total equity and liabilities		**2,096,213**	2,918,083

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 the following:

- certain financial assets, certain classes of property, plant and equipment and investment properties, which are measured at fair value or revalued amount, and

- assets held for sale, which are measured at the lower of carrying amount and fair value less costs to sell.

(c) Going concern basis

During the year ended 31 March 2023, the Group reported a loss before income tax of HK$297,723,000, which was mainly attributable to the decline in revenue by 47.8% to HK$1,209,602,000 due to the loss of a major customer, the provision of impairment of properties held for sales and under development totaling to HK$240,078,000, provision of impairment on property, plant and equipment totaling to HK$50,790,000, and provision of impairment of intangible assets totaling to HK$6,207,000. As at 31 March 2023, the Group had current and non-current bank borrowings of HK$269,065,000 and HK$82,200,000, respectively, while its cash and cash equivalents was HK$203,372,000.

In view of the deteriorating financial performance of the Group, the competitive business environment and the sluggish property market in Mainland China, the directors of the Company have given careful consideration to the future liquidity and performance of the Group, and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

(i) During the year ended 31 March 2023, the Group anticipated it would not comply with certain restrictive financial covenants of its borrowings amounting to HK$58,683,000, which may cause the corresponding borrowings from these relevant banks to become immediately due and payable. Accordingly, prior to 31 March 2023, the Group successfully obtained waivers for the compliance of restrictive financial covenants from the relevant banks. Management will continue to monitor the Group's compliance with the covenant requirements under its banking facilities. Should the Group anticipate that it would not be able to comply with the relevant covenant requirements, management will discuss and negotiate with the respective banks and will seek to further revise the terms and covenant requirements or obtain a waiver of compliance with the covenant requirements from the banks, if needed;

1. BASIS OF PREPARATION (continued)

(c) Going concern basis (continued)

(ii) In March 2023, the Group entered into (a) lands resumption agreement with the local government of the City of Shaoguan, Guangdong Province of Mainland China for surrendering certain land use rights and other relevant assets and (b) the cooperation agreement with a property developer which had expressed interest in developing the lands pursuant to the said land resumption for a total cash compensation of approximate RMB107,300,000 (equivalent to approximately HK$123,395,000). In June 2023, the Group has received the first payment of RMB15,000,000 (equivalent to approximately HK$16,929,000) in accordance with the lands resumption agreement. With reference to the payment schedule as included in the lands resumption agreement and the cooperation agreement, directors of the Company expect that an additional amount of not less than RMB35,000,000 (equivalent to approximately HK$39,502,000) will be received within 12 months from 31 March 2023;

(iii) The Group maintains continuous communication with all the banks and the directors believe that the Group's existing banking facilities, including the unutilised amount of approximately HK$197,221,000 in aggregate as at 31 March 2023, will be successfully renewed when their current terms expire and will continue to be available to the Group given the long standing relationships with the relevant banks. Therefore, the directors believe that the Group will be able to draw down from these facilities to finance its operations, if needed. In addition, in May 2023, the Group has successfully obtained a new banking facility amounting to HK$35,000,000;

(iv) Subsequent to the year end, some banks have completed their annual review of the Group's existing banking facilities amounted to HK$143,880,000 and have provided the Group with the confirmation to continue to extend the facilities;

(v) During the year ended 31 March 2023, the Group generated operating cash inflow. The directors of the Company are of the opinion that continuous operating cash flow of the Group will be generated in the next twelve months resulting from the economy rebound after the end of the COVID-19 pandemic; and

(vi) The Group will continue to seek for other alternative financing (including but not limited to disposal of non-core assets) to finance the settlement of its existing financial obligations and future operating and capital expenditure, if needed.

The directors of the Company have reviewed the Group's cash flow projections prepared by management which cover a period of not less than twelve months from 31 March 2023. They are of the opinion that considering the anticipated cash flows generated from the Group's operations taking into account of reasonably possible changes in operation performances and the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 March 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

1. BASIS OF PREPARATION (continued)

(d) Amendments to existing standards, annual improvements and accounting guideline adopted by the Group

The Group has applied the following amendments to existing standards, annual improvements and accounting guideline for the first time for their annual reporting period commencing 1 April 2022:

Amendments to Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combination

The amendments to existing standards, annual improvements and accounting guideline 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)

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

The following new and amended standards and interpretation have been published but are not effective for the financial year beginning on or after 1 April 2022 reporting periods and have not been early adopted by the Group.

		Effective for annual reporting periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 April 2023
Amendments to HKAS 1 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
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 April 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 April 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 April 2024
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 Amendments to HKAS 12 require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

As a result, deferred taxes arising from certain right-of-use assets and lease liabilities in the Group are expected to be recognised. The Group is assessing and quantifying the impact at the moment.

Mandatory for financial years commencing on or after 1 April 2023, at this stage, the Group does not intend to adopt the standard before its effective date.

Other than the aforementioned amendments, the new accounting standard and other amendments to existing standards and interpretation are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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, juvenile products, baby care products, IoT, smart home 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.

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 2023 and 2022.

31 March 2023

	Electrical and electronic products *HK$'000*	Motors *HK$'000*	Real estate development *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Segment revenue						
Revenue from external customers						
Timing of revenue recognition						
– At a point of time	459,846	745,516	4,240	–	–	1,209,602
Inter-segment sales	19,507	1,346	–	–	(20,853)	–
Total	479,353	746,862	4,240	–	(20,853)	1,209,602
Cost of sales – Impairment of property, plant and equipment	(14,076)	(36,714)	–	–	–	(50,790)
Cost of sales – Impairment of properties under development and completed properties held for sale	–	–	(240,078)	–	–	(240,078)
Other income and gains, net	35,302	10,839	(9,906)	1	–	36,236
Segment results	(15,211)	322	(257,521)	(1,053)	–	(273,463)
Unallocated gain, net						343
Unallocated expenses						(12,940)
Finance costs, net						(11,663)
Loss before income tax						(297,723)
Income tax credit						3,554
Loss for the year						(294,169)

2. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

31 March 2023 (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	947,602	856,385	495,943	73,743	(525,653)	1,848,020
Unallocated assets						248,193
Total assets						2,096,213
Segment liabilities	173,263	240,255	631,196	282,597	(525,653)	801,658
Unallocated liabilities						189,870
Total liabilities						991,528
Other segment information:						
Capital expenditure	19,523	104,607	3,904	–	–	128,034
Impairment of intangible assets	6,207	–	–	–	–	6,207
Depreciation and amortisation	56,736	67,956	119	1,367	–	126,178
(Gain)/loss on disposal of property, plant and equipment	(11)	624	–	–	–	613
Deficit on revaluation of land and buildings recognised directly in equity	19,331	21,629	–	2,567	–	43,527
Fair value loss on investment properties	–	–	9,906	–	–	9,906

2. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

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	–	(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)

(b) Geographical information

	United States of America		Europe		Asia		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Revenue from external customers	**260,571**	997,524	**132,082**	288,741	**816,949**	1,030,050	**1,209,602**	2,316,315

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

	Hong Kong		Mainland China		Malaysia		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Non-current assets	**5,993**	6,206	**955,129**	1,182,063	**36,344**	33,819	**997,466**	1,222,088

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

	2023	2022
	HK$'000	*HK$'000*
Fair value gain on financial assets at fair value through profit or loss, net	**274**	4,155
Fair value loss on investment properties, net	**(9,906)**	(2,601)
(Loss)/gain on disposal of property, plant and equipment	**(613)**	34
Gain on disposal of a subsidiary *(Note i)*	**–**	605
Gain on termination of leases	**21**	–
Gross rental income	**2,669**	1,767
Sales of scrap materials	**5,320**	11,257
Subsidy income *(Note ii)*	**15,556**	44,970
Gain on deregistration of a subsidiary *(Note iii)*	**18,142**	–
Others	**5,116**	6,843
	36,579	67,030

Note:

(i) On 25 October 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire interest in an indirect wholly owned subsidiary of the Company, which was principally engaged in manufacture and trading of moulds, for a cash consideration of RMB400,000 (equivalent to HK$486,000). The transaction was completed on the same date, resulting in a gain on disposal of approximately HK$605,000.

(ii) 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 2023, subsidies income amounting to HK$15,556,000 (2022: HK$44,970,000) are recognised in profit or loss, including the recognition of deferred government subsidy income of HK$9,158,000 (2022: HK$39,895,000).

(iii) During the year ended 31 March 2023, management has deregistered an indirect wholly owned subsidiary of the Company located in British Virgin Islands. Gain amounted to HK$18,142,000 was mainly resulted from the reclassification of cumulative exchange difference, previously recorded in exchange reserve, to income statement according to HKAS 21.

4. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

	2023	2022
	HK$'000	*HK$'000*
Cost of inventories sold	**688,333**	1,443,250
Cost of properties sold	**6,226**	4,002
Depreciation of property, plant and equipment	**119,452**	129,588
Depreciation of right-of-use assets	**6,726**	5,213
Employee benefit expenses	**350,270**	499,341
Auditor's remuneration	**3,500**	3,180
Legal and professional fee	**8,228**	7,018
Short-term lease expenses	**140**	233
Provision for impairment of inventories, net	**5,801**	4,583
Impairment loss on properties, plant and equipment *(Note i)*	**50,790**	–
Impairment loss on goodwill *(Note i)*	**6,207**	–
Impairment of properties under development *(Note ii)*	**191,304**	–
Impairment of completed properties held for sale *(Note ii)*	**48,774**	–

Note:

(i) During the year ended 31 March 2023, management considered that impairment indicator existed for the non-financial assets of the Electrical and Electronic cash generating unit as a result of it unfavourable performance. Based on value-in-use assessment, impairment losses of HK$14,076,000 and HK$6,207,000 were recognised on properties, plant and equipment and goodwill, respectively.

During the year ended 31 March 2023, the Group decided to scale down one of its production plants which resulted in a provision for impairment of the relevant non-current assets totaling HK$36,714,000.

(ii) During the year ended 31 March 2023, impairment loss of HK$191,304,000 and HK$48,774,000 were made to write down the properties under development, including the shelved project which the management decided to cease further development during the year, and completed properties held for sale to their net realisable values, respectively.

5. INCOME TAX

	2023	2022
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**1,668**	6,459
Adjustment for current tax of prior years	**(6,047)**	938
Current – Elsewhere		
Charge for the year	**212**	3,555
Adjustment for current tax of prior years	**–**	(3,856)
Deferred tax	**613**	10,453
Total tax (credit)/charge for the year	**(3,554)**	17,549

6. DIVIDENDS

The Board has resolved not to declare any final dividend for the year ended 31 March 2023 (2022: Nil).

7. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2023	2022
	HK$'000	*HK$'000*
(Loss)/profit attributable to owners of the Company	**(294,169)**	56,858
Weighted average number of ordinary shares in issue (thousands)	**438,960**	438,960
Basic (loss)/earnings per share (HK cents per share)	**(67.01)**	12.95

(b) Diluted

Diluted earnings per share for the years ended 31 March 2023 and 2022 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

8. ACCOUNTS RECEIVABLE

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

	2023	2022
	HK$'000	*HK$'000*
0-30 days	**113,850**	151,965
31-60 days	**52,437**	66,476
61-90 days	**24,762**	43,003
Over 90 days	**28,524**	42,873
	219,573	304,317
Loss allowance	**(8,831)**	(14,998)
	210,742	289,319

9. RESTRICTED BANK DEPOSITS

As at 31 March 2022, the Group's pledge deposits were denominated in RMB and placed in a bank to secure a bank facility (Note 12). Included in restricted bank deposits as at 31 March 2023 are RMB968,000 (equivalent to approximately HK$1,093,000) (2022: RMB527,000 (equivalent to approximately HK$650,000)) placed in a bank for trade financing.

10. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 March 2023, the Group entered into the Lands Resumption Agreement with SXBNR (始興縣自然資源局), pursuant to which SXBNR agreed to resume, the Group agreed to surrender, the land use rights of the three parcels of land situated at Huang Hua Yuan Industrial Area, Tai Ping Town, Shixing County, Shaoguan City, Guangdong Province, the PRC and certain assets thereon and entered into a cooperation agreement with a property developer at a consideration by way of cash compensation of approximately RMB107,300,000 (equivalent to approximately HK$123,395,000) according to the relevant rules and regulations in PRC including but not limited to the policy pertaining to the Three-old Renovation, subject to the successful bidding through public auction. Agreement has already been signed before the year-end and management considered the completion of the transaction is unconditional and highly probable. As a result, the relevant property, plant and equipment and right-of-use assets of approximately HK$38,335,000 and HK$2,765,000, respectively, have been presented as assets held for sale as at 31 March 2023.

In accordance with HKFRS 5, the assets classified as held for sale are measured at lower of their carrying amount immediately prior to being classified as held for sale and fair value less cost to sell. At the date of initial classification as held for sale, the carrying amount of the assets were lower than the fair value less cost to sell as at that date. Accordingly, no loss was recognised due to remeasurement at the initial classification.

11. ACCOUNTS PAYABLE

At 31 March 2023, the aging analysis of the accounts payable based on invoice date are as follows:

	2023	2022
	HK$'000	*HK$'000*
0 – 30 days	**57,253**	100,493
31 – 60 days	**43,953**	50,208
61 – 90 days	**37,697**	62,118
Over 90 days	**63,499**	100,584
	202,402	313,403

12. BANK BORROWINGS

	2023	2022
	HK$'000	*HK$'000*
Unsecured		
Current portion	**269,065**	412,071
Non-current portion	**82,200**	111,800
	351,265	523,871
Secured		
Current portion	**–**	5,276

As at 31 March 2023, the Group's banking facilities are secured by the corporate guarantees (2022: 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 5.3% (2022: 2.8%) per annum.

At 31 March 2023, based on the contractual repayment terms including repayable on demand clause, the Group's bank borrowings maturity analysis would be as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 1 year or on demand	**269,065**	417,347
Between 1 and 2 years	**82,200**	21,350
Between 2 and 5 years	**–**	90,450
	351,265	529,147

12. BANK BORROWINGS (continued)

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

	2023	2022
	HK$'000	*HK$'000*
Within 1 year	**30,289**	17,500
Between 1 and 2 years	**28,394**	21,875
Between 2 and 5 years	**–**	26,250
	58,683	65,625

As at 31 March 2023, the Group has uncommitted undrawn bank facilities amounting to HK$197,221,000 (2022: HK$165,512,000).

During the year ended 31 March 2023, the Group anticipated it would not comply with certain restrictive financial covenants of its borrowings amounting to HK$58,683,000. Accordingly, prior to 31 March 2023, the Group successfully obtained waivers for the compliance of restrictive financial covenants from the relevant banks. As at 31 March 2022, the Group was in compliance with all bank borrowing covenants.

MANAGEMENT DISCUSSION AND ANALYSIS

Kin Yat is one of the leading industrial enterprises engaged in the development and production of niche, advanced and quality electrical and electronic products, as well as electric motor drives and related products under its own house brand. In recent years, the Company also embarked on the development of two real estate projects in Dushan County ("Dushan"), Guizhou Province, China.

FINANCIAL REVIEW

For the year ended 31 March 2023 (the "Year" or "FY2023"), it represents yet another challenging year to the Group as a result of the harsh operating environment. Since COVID-19 first broke out in early 2020, it continued to bring lingering impact to both demand and supply side. In the case of China, where the Group's manufacturing facilities are situated, it has implemented a set of rather comprehensive anti-epidemic measures during the Year. The sustained lockdowns have in turn created notable pressure on the Group's operation, affecting labour availability, raw material supply, production efficiency, and export logistics. Meanwhile, the Russia-Ukraine conflict has triggered a reshuffle in the global supply chain and a surge in commodity prices. The uncertainties, compounded by the rising interest rates and inflation, have together made global consumers be more conservative, prioritising savings and necessities instead of purchases. As a result, brand owners in the United States of America ("U.S."). and Europe also became more prudent in placing orders and new product development, leading to a decrease in sales volume, especially for the Group's Electrical and Electronic Products Business Segment. The Group's overall turnover during the Year decreased by 47.8% year-over-year ("YoY"), from approximately HK$2,316,315,000 to approximately HK$1,209,602,000. The Group's total external turnover by segment is analysed as follows:

- Electrical and Electronic Products Business Segment ("E&E Segment"): HK$459,846,000, representing 38.0% of the Group's consolidated turnover for the Year (for the year ended 31 March 2022 ("FY2022"): HK$1,267,957,000, 54.7%).

- Motors Business Segment ("Motors Segment"): HK$745,516,000, contributing 61.6% of the Group's consolidated turnover for the Year (FY2022: HK$1,044,052,000, 45.1%).

- Real Estate Development Business Segment: HK$4,240,000, representing 0.4% of the Group's consolidated turnover for the Year (FY2022: HK$4,306,000, 0.2%).

To counter the impact of a decreasing order book in its manufacturing business segments in general, the Group swiftly streamlines its operations in order to maintain operation efficiency and margins. Overall gross profit (before impairment) decreased 48.4% YoY to HK$126,665,000 for the Year, yet gross profit margin hovered at 10.5% (FY2022: 10.6%) despite a decreased turnover. This highlights the combination of improving cost control, the absence of a previous significant client which has a low margin profile, as well as the depreciation of Renminbi ("RMB") against the U.S. dollars ("US$") during the Year. After the inclusion of the non-recurring and non-cash impairment losses incurred by the Real Estate Development Business Segment and the manufacturing business segments as a whole of HK$240,078,000 and HK$50,790,000, respectively, the Group reported a gross loss (after impairment) of HK$164,203,000 (FY2022: Gross profit HK$245,532,000) for the Year.

In face of the uncertainties, the Group also strived to control its indirect expenses. The Group further consolidated its production bases to reduce overheads; at the same time, it also monetised some idle, non-core assets in order to boost cash level. Nonetheless, the results of the Group for the Year was impacted by the non-recurring and non-cash impairment losses incurred by the Real Estate Development Business Segment and the manufacturing business segments as a whole amounted to HK$297,075,000, due to the long-suffering China's property market and the tough manufacturing market landscape. After the said impairment losses, the Company have a loss for the Year of HK$294,169,000 as compared to a profit for the year of HK$56,858,000 for FY2022. Basic loss per share for the Year was HK67.01 cents (FY2022: Basic earnings per share HK12.95 cents).

OPERATIONAL REVIEW

Manufacturing Businesses

The Group operates two manufacturing business segments on three major production centres in China. Two of which are based in Guangdong Province, situated in Songgang, Baoan District, Shenzhen City ("Shenzhen") and Shixing County, Shaoguan City ("Shixing"), respectively, with the third located in Dushan, Guizhou Province. The Group's production bases are also supplemented by two production facilities in Malaysia for the Motors Segment and the E&E Segment, respectively.

Electrical and Electronic Products Business Segment

The E&E Segment provides development, design, and manufacturing services for four main product categories: (i) robotics, (ii) juvenile products and baby care products, (iii) smart products and (iv) healthcare products.

FY2023 continued to present the business with unparalleled difficulties. Within a span of merely twelve months, the global community encountered sporadic outbreaks of COVID-19, manufacturing bottleneck from China's nationwide lockdowns, slowdown of economies, weakened customer sentiment, growing inflation and interest risks, as well as supply chain disruptions. The turbulent FY2023 has also led to a prevailing conservatism among brand owners, particularly those based in Europe and the U.S., where inventory backlog issues have become increasingly pressing. Brand owners understandably reduced their order volume in face of the shrinking demand, and chose to wait for a more welcoming economy before placing orders and developing new products.

Despite such challenges, FY2023 is the first year of the Segment, in the absence of a previous significant client, for its transition from high single-client contributions with low margins, to a set of diversified clients from various applications that can offer margins at normal market norms. Although this strategic move has led to a temporary decrease in sales volume and revenue from the robotics sector, the Company expects it would lay a solid foundation for future sustainable growth, by freeing up the necessary production capacity and resources for new applications and new clients.

As a result of the aforementioned factors, external turnover of the E&E Segment decreased by 63.7% to approximately HK$459,846,000 for the Year (FY2022: HK$1,267,957,000), accounting for 38.0% (FY2022: 54.7%) of the Group's overall revenue (for illustration purpose only, such external turnover in FY2023 as compared to the adjusted external turnover of HK$645,937,000 in FY2022 before the turnover contributions from the aforesaid significant client, representing a drop of approximately 28.8%). Overall segment results were turned from a profit of HK$37,648,000 in FY2022 to a loss of HK$15,211,000 during the Year, reflecting the untypical cost structure of the operations during this transitional period.

With regard to sectors, the recently built healthcare products sector exhibited promising growth potential, despite being in its early stage of development. It has successfully secured several new projects with various clients, including a niche medical product that would further diversify the Group's product offerings. The Group views the sector as a potential diversification and growth driver in the long-term, and intends to leverage its expertise and experience in the Internet of Things ("IoT") to develop innovative and smart healthcare products.

For Future View

Looking ahead, while the overall consumer market continue to show hesitation and uncertainties due to the global economic slowdown, the Segment is committed to, taking this opportunity, laying foundations by building up its portfolio of diversified client base, strengthening its management team, and consolidating its production facilities as well as prudently implementing its "China Plus One" strategy so that it is well poised to gain from the ensuing economic recovery and improved consumer market sentiment.

To cater the growing demand for a "China Plus One" manufacturing solution, the Segment first consolidated its production facilities in China during the Year, and at the same time, expanding its capacity in Malaysia, in order to make good use of the comparative advantages of each country, as well as providing customers with a more flexible and cost-competitive solution. Given the synchronised infrastructure already in place, it is expected that once the utilisation ramps up, the dual-production across China and Malaysia should yield notable operational efficiency and margin enhancement. In the long run, the Segment will also continue to explore other possible destinations across Southeast Asia that would allow quick regional market penetration and cost-effective production.

On that front, the Segment leverages on its existing credentials to enhance its position particularly in juvenile products and baby care products sector in various markets. It is endeavour to specifically target growing sectors, and allocate more resources to the newly-developed healthcare business to increase scale and market share with focus on research and development ("R&D") capability enhancement.

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, brushless DC motors and gearbox, which is under the category "Motor Plus", as a means to capture the latest technological trends and market demand and to drive up the average unit price of its products sold. Supported by its major production facilities located in Shixing county, which is supplemented by the production facility in Malaysia, the Segment has essentially established a production and R&D platform, able to provide customers with innovative, flexible, closer-to-market, yet cost-competitive manufacturing solutions. The Segment has been categorised into four sectors of application, namely automobiles, office automation equipment, toys, and household appliances.

Since the outbreak of COVID-19, various governments have imposed relevant restrictions which brought notable changes to people's everyday lives. Work-from-home became a trend, and the increasing exposure at home setting also boost the demand of household appliances. Yet, there was a notable change in consumer behaviour in 2022 as restrictions were lifted in most countries, with people embracing a blended working style that generally requires fewer appliances support at home. Compounded by the surging commodities' prices and growing cost of living, demand for such appliances, especially in Europe and the U.S., suffered a drop in sales volume during the Year.

In addition, affected by the long-tail effects of the supply chain crisis from COVID-19 and the Russia-Ukraine conflict, inflation soared during the Year, which notably affected consumer sentiment around the world. Given the contraction in downstream demand, most of the Segment's clients have also decided to adjust their orders to avoid over-investment and excess inventory. Thus, external turnover for the Segment for the Year was HK$745,516,000 (FY2022: HK$1,044,052,000), representing a decrease of 28.6% YoY.

Facing the challenging operating environment, the Segment took swift action to adjust its production schedule, while closely monitoring its inventory level and hedging key raw materials prices and RMB exposure to maintain operation efficiency and margins. The Segment also has been consolidating the resources of its two major production facilities in Shixing and Dushan, in an effort to increase the overall utilisation rate of the production facilities in China and thereby further enhance production efficiency.

After taking into account the significant non-recurring impairments on property, plant and equipment of HK$36,714,000 related to the consolidation of production facilities and optimisation of product mix, which shall path way for reduced depreciation in the coming financial years, the segment results for the Year was HK$322,000 (FY2022: HK$71,350,000).

Looking ahead

Looking into 2024, bloated retail inventories and the battle against inflation are likely to continue. To stay competitive in this difficult environment, the Segment will streamline and consolidate its production capacity in China with an effort to enhance the production utilisation rate so as to in turn optimise the operation efficiency, and will maintain constant communication with its clients in order to raise order book visibility. It will also continue its stringent cost control measures, and retain a health cash level in case of any uncertainties. The "China Plus One" long-term expansion plan will also be prudently evaluated and implemented given its long-term benefits yet heavy investment, while the Segment will also continue to increase overall automation level to enhance its competitiveness.

In terms of sales acquisition, benefited from early sales planning, the Segment was able to obtain certain new pipelines and further diversify its product portfolio. Unlike bare motors which are standardised products, most of them are potential Motor Plus projects, that represent tailormade solutions with higher price point.

The Segment will also continue its R&D investment to support with its product diversification strategy to continue to build up its presence in sectors and applications including water pump and automotive door handle presenter with higher price point and margins and stable business volume. During the Year, its Electric Parking Brake ("EPB") motors received recognition from the market for its good quality on current and noise control. Due to safety reasons, EPB has higher requirements for its components, and that also translates to higher motor price point and margins. As China reopening its economy, consumer sentiment is expected to gradually recover. The Segment will actively promote its products to more potential clients from the automotive sector, aiming to capture more market shares.

Non-manufacturing Business

Real Estate Development Business Segment

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

In 2022, China's property market remained sluggish. Despite the rollout of a flurry of policies to assist homebuyers and property developers, the market lacks confidence and momentum to recover. According to the National Bureau of Statistics of China ("**NBS**"), China's nationwide property sector fell 5.1% YoY in 2022. The property market in Dushan, being an underprivileged county in China, was even more adversely affected. As disclosed in our MD&A of the Group's FY2023 interim report, the management of the Group made a strategic decision to shelve the further development of Phases 1B, 1C, and 1D of *The Jardin Montsouris* (the "**Shelved Phases**"), after taking into account the evaluation of the Segment's valuation and prospect. On account of such decision, the whole finance, development, and construction costs attributable to the Shelved Phases in the amount of HK$120,373,000 were fully written off in FY2023. Given the sluggish property market sentiment in Dushan, an aggregate impairment loss of HK$119,705,000 of both the unsold inventory of the completed properties for sale and the properties under development with respect to both residential units and commercial properties of the two projects due to diminution in value was incurred and recognised in the Year. As a result, after the non-cash and non-recurring impairment provisions mentioned above of HK$240,078,000 in total, the Segment recorded a loss of HK$257,521,000 during the Year (FY2022: HK$13,503,000).

The Royale Cambridge Residences

With a total site area of approximately 83,166 sq.m., the project is divided into two phases. As of 31 March 2023, completed gross floor area ("**GFA**") of the residential properties of the first phase for sale was 35,338 sq.m., comprising 116 units of villa, while the Segment kept on putting on hold the development of the second phase in the Year. During the Year, 4 units were sold, bringing the total number of sold villas to 48 as of 31 March 2023. Out of the 4, 3 units sold were for the settlement and offsetting a part of the outstanding construction and development costs of *The Jardin Montsouris*. Due to the sluggish property market sentiment in Dushan, the prevailing relevant comparable property prices were below the carrying amounts of properties under development and completed properties for sale with respect to both residential units and commercial properties, an impairment loss of HK$48,774,000 (FY2022: Nil) for this project was therefore incurred during the Year.

The Jardin Montsouris

With a total site area of approximately 66,666 sq.m., the Segment is currently on course to complete its Phase IA development, which comprises a total of 460 units of apartment with a total GFA of 64,427 sq.m. for sale upon completion. The Segment proactively managed to negotiate and agree with construction contractors to partly settle the outstanding construction and development costs by selling 34 residential units to the contractors, bringing the aggregate number of residential units contracted for sale to 280, with a total consideration of approximately RMB120,186,000. As of 31 March 2023, approximately 61% of 460 units of Phase 1A were contracted for sale. However, contracted sales were not able to be recognised as revenue, as the final acceptance certificates for such project have not been issued during the Year.

In consideration of the gloomy outlook of the property market in China and particularly in Dushan, along with other reasons as mentioned in our MD&A of the Group's FY2023 interim report, the Segment has decided to discontinue the further development of the Shelved Phases during the Year. The site of the Shelved Phases comprises a land area of 45,869 sq.m., with 275,867 sq.m. of gross floor area of the properties yet to be developed. On account of such a decision, the whole finance, development, and construction costs (except for the related land parcel which value was assessed and appraised in accordance with the relevant valuation conducted by an independent valuer) attributable to the Shelved Phases in the aggregate amount of approximately HK$120,373,000 was fully written off in the Year (FY2022: Nil). Due to the sluggish property market sentiment in Dushan, an impairment loss of HK$70,931,000 of properties under development and completed properties for sale with respect to both residential units and commercial properties was incurred during the Year. This, together with the abovementioned written off of HK$120,373,000, has resulted in a total impairment loss of HK$191,304,000 for this project during the Year (FY2022: Nil).

For Future View

According to the latest statistics from NBS, new-home prices in 70 cities, excluding state-subsidised housing, dropped from 0.44% in March to 0.32% in April 2023. Despite sales and prices enjoyed a short-lived rebound following a historical slump of about 18 months, signs of weakness remain obvious in the residential property market. The latest Reuter survey also reported that China's deeply troubled property sector is set to see home sales fall by a median of 8% for the second straight year in 2023, despite a slow down in drop when compared to the slump of approximately 25% in 2022. As a result, the Group remains cautious over the outlook of the Segment. Looking into the next financial year, the Segment expects to complete the remaining minor construction work and auxiliary works of Phase 1A of *The Jardin Montsouris*, bringing it to practical completion. It is estimated that the relevant final acceptance certificates will be issued in the third quarter of 2023, and the Segment will continue its efforts to sell the remaining already and soon-to-completed property units. In light of the prevailing depressed residential market condition in Dushan, the sales of the property units of two real estate property development projects are a very challenging task although we cautiously expect there might be a boost in the sales growth when the Guiyang-Nanning high-speed train station near the sites of the projects is operational soon this year. The Segment has been exploring the possibility for realising the projects as a whole for a reasonable consideration while the Segment is endeavour to sell property units to individual end-users.

OUTLOOK

The International Monetary Fund has recently published the "World Economic Outlook April 2023" report, outlining a forecast of 2.8% growth in 2023 compared with 3.4% in 2022. Global inflation is also set to fall from 8.7% in 2022 to 7.0% in 2023, on the back of lower commodity prices. It further raises 2023 economic outlook for Asia in May, seeing China and India making up half of the global growth, with the reopening of China and growth of its economy likely generating positive spill-overs.

In light of China's reopening, the Group will actively extend its customer reach in China, in order to seize the opportunities from subsequent economic recovery. As consumer sentiment recovers, the Group believes that the automotive and household appliance sectors will also enjoy bottom out, providing the Group with more opportunities particularly for its business relating to EPB motors.

Meanwhile, the Group will cautiously manage its working capital, and continue to adopt stringent cost control measures to retain a higher cash level for any upcoming uncertainties. At the same time, the Group will also constantly review its assets, and keep a keen eye on monetisation opportunities for its non-core resources, allowing it to consolidate resources for future R&D investment and market penetration.

DIVIDENDS

The Board has resolved not to declare any final dividend for the Year (2022: 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 2023, the Group had time deposits of HK$10,006,000 (31 March 2022: HK$13,355,000), cash and bank balances of HK$203,372,000 (31 March 2022: HK$256,934,000), and net current assets of HK$257,905,000 (31 March 2022: HK$525,724,000). As at 31 March 2023, shareholders' equity was HK$1,104,685,000 (31 March 2022: HK$1,589,910,000). Total consolidated banking facilities of the Group from all banks as at 31 March 2023 amounted to approximately HK$587,648,000 (31 March 2022: HK$661,742,000). As at 31 March 2023, total bank borrowings amounted to HK$351,265,000 (31 March 2022: HK$529,147,000).

As at 31 March 2023, the bank borrowings of the Group was repayable within one year amounted to HK$269,065,000 (31 March 2022: HK$417,347,000) and the remaining balance of HK$82,200,000 (31 March 2022: HK$111,800,000) was repayable within second to fifth years.

As at 31 March 2023, the current ratio of the Group (current assets divided by current liabilities) was maintained at 1.31 times (31 March 2022: 1.46 times) and the gearing ratio of the Group (total bank borrowings divided by total equity) was 31.8% (31 March 2022: 33.3%).

CAPITAL STRUCTURE

As at 31 March 2023, the total issued share capital of the Company was HK$43,896,000 (31 March 2022: HK$43,896,000), comprising 438,960,000 (31 March 2022: 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 did not have bank deposit (31 March 2022: HK$12,326,000) and investment property (31 March 2022: HK$46,789,000) pledged to a bank for banking facilities as at 31 March 2023 (31 March 2022: HK$61,631,000). Part of the Group's other borrowings amounting to HK$12,882,000 as at 31 March 2023 were secured by certain properties under development and certain completed properties held for sale in an aggregate amount of HK$19,651,000 (31 March 2022: Nil).

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 2023, the Group employed around 4,600 full-time employees, of which less than 70 of them were stationed in Hong Kong headquarters with the remaining working mainly 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.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

On 20 March 2023, a wholly-owned subsidiary of the Company, Penta Blesses Enterprises Limited (for itself and on behalf of its wholly-owned subsidiaries, Shixing Newway Industries Company Limited and Shaoguan Turbo Electronic Technology Company Limited) (collectively, "Penta Blesses") entered into the Lands Resumption Agreement with Shixing County Bureau of Natural Resources ("SXBNR"), pursuant to which SXBNR agreed to resume, Penta Blesses agreed to surrender, the land use rights of the lands (comprise three parcels of land situated at Huang Hua Yuan Industrial Area, Tai Ping Town, Shixing County, Shaoguan City, Guangdone Province, the PRC (the "Lands") and the erection, construction, machinery, and other relevant assets (the "Relevant Assets") thereon (collectively, the Target Assets") and entered into the cooperation agreement with a property developer at consideration by way of a cash compensation of approximately RMB107,300,000 (equivalent to approximately HK$123,395,000) in total comprising the compensation for the Target Assets and other related compensation according to the relevant rules and regulations in the PRC including but not limited to the policy pertaining to the Three-old Renovation, subject to the successful bidding of the land use rights of the Lands as redesignated through the Public Auction (the "Transactions"). Under the Lands Resumption Agreement, the Group would receive the payment of the compensation for the land use rights of the Lands of approximately RMB29,000,000 (equivalent to approximately HK$33,350,000) from SXBNR whilst the remaining compensation amount of approximately RMB78,300,000 (equivalent to approximately HK$90,045,000) would be paid by the said property developer should the project company controlled by it be the successful bidder of the land use rights of the Lands as redesignated in the Public Auction.

The Public Auction took place from 12 April 2023 to 24 April 2023, the Lands as redesignated were sold to the highest bidder of the land use rights of the Lands as designated in the Public Auction.

Further details in relation to the Transactions are set out in the announcements of the Company dated 24 March 2023, 29 March 2023, 19 April 2023, and 25 April 2023 and the circular of the Company dated 31 May 2023.

Save as disclosed above, during the Year, the Group was neither involved in any significant investment, nor any material acquisition or disposal of any subsidiary.

CONNECTED TRANSACTION

As reported in our annual reports for the years 2019/2020, 2021/2022 and 2022/2023. On 1 April 2020, a leasing agreement (the "Existing Tenancy Agreement") was entered into between Unicon Investments Limited ("Unicon" or the "Landlord") and Kin Yat Industrial Company Limited, an indirect wholly-owned subsidiary of the Company (the "Tenant"), concerning the leaseback of the property located at 7/F., Galaxy Factory Building, 25-27 Luk Hop Street, San Po Kong, Kowloon, Hong Kong (the "Property"), as the Company's principal place of business in Hong Kong, for a term of three years commencing from 1 April 2020 to 31 March 2023, with a monthly lease rental of HK$124,800 (inclusive of government rent, rates and management fee). 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 requirements under Chapter 14A of the Listing Rules.

Upon expiry of the Existing Tenancy Agreement, the Tenant, on 31 March 2023, entered into a renewal tenancy agreement (the "Renewal Tenancy Agreement") with the Landlord, to renew the Existing Tenancy Agreement in respect of the leasing the Property for the ensuing three years for a monthly lease rental of HK$124,800 (inclusive of government rent, rates and management fee). Details of the transactions were set out in the announcement of the Company dated 31 March 2023.

As Unicon is wholly owned by 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 Listing Rules). Thus, each of Mr. Cheng and Unicon is a connected person of the Company. Accordingly, the entering into the Renewal Tenancy Agreement and the transactions contemplated thereunder constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the right-of-use assets to be recognised under the Renewal Tenancy Agreement exceed more than 0.1% but are less than 5%, the transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirement under Rule 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 RULE 13.21 OF THE LISTING RULES

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

In November 2021, the Company as borrower entered into a banking facility agreement with Bank A relating to a term loan in the amount of HK$70,000,000 (the "Facility 11/2021"). The Facility 11/2021 carrying a term of 36 months was to replace, substitute and refinance the outstanding loan balances drawn under its then-existing bank facility entered into in May 2020.

In September 2021, the Company and its indirect wholly-owned subsidiary ("Subsidiary A'), as borrowers, were each offered a new term loan facility by Bank B. The two new term loan facilities agreements carrying terms of 36 months were executed in October 2021. The new term loan facility in aggregate amounts 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 loan balances indebted to Bank B drawn under the then-existing banking facility entered into in February 2020 (the "Facility 02/2020") and a new term loan of HK$60,000,000 to refinance the Company's capital expenditure. The new term loan facility offered to Subsidiary A was in the amount of up to HK$33,000,000, which was to replace, substitute and refinance the outstanding term loans drawn under the then-existing banking facility entered into in January 2019 (the "Facility 01/2019“).

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

In May 2023, the Company received a new term loans facility in an aggregate amount of HK$35,000,000 offered by Bank B to refinance existing and finance new CAPEX expenditure of the Group (the "Facility 05/2023"). The Facility 05/2023 is expected to be executed in June 2023. The new term loans shall be repayable in 24 months in 8 quarterly instalments.

An indirect wholly-owned subsidiary of the Company ("Subsidiary B") as a borrower, entered into new General Banking Facilities with Bank C in May 2022 ("the Facility 05/2022"), which were to replace and substitute the then-existing General Banking Facilities comprising term loan and trade-line facilities entered into in May 2021. The Facility 05/2022 comprised a new term loan designated for profits tax payment repayable in 24 months from the date of drawdown and the outstanding loan balance drawn under the then-existing banking facility amounting to approximately HK$33,700,000 in tally and a trade-line facility up to an aggregate maximum limit of HK$62,000,000.

In addition to general terms and conditions, each of the above facility agreements imposes, inter alias, a condition that Mr. Cheng 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 collectively constituted the specific performance of the Company's controlling shareholder (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 an event, each of the loans shall become immediately due and repayable on demand.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed under the section headed "Material Acquisitions, Disposals and Significant Investment", 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 reports the latest development in corporate governance to the chairman of the Board. 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 except for the deviation described in the section "Chairman and Chief Executive Officer" in this Corporate Governance Report (the "CG Report").

The Board has also reviewed 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.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

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 this 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 and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on this announcement.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 23 August 2023 to Monday, 28 August 2023, 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 Monday, 28 August 2023, 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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 22 August 2023.

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 2023

As at the date of this announcement, the Board comprises (a) four executive Directors, namely Mr. CHENG Chor Kit, Mr. LIU Tat Luen, Mr. CHENG Tsz To and Mr. CHENG Tsz Hang; (b) one non-executive Director, Dr. FUNG Wah Cheong, Vincent; (c) three independent non-executive Directors, namely Mr. WONG Chi Wai, Dr. SUN Kwai Yu, Vivian and Mr. CHEUNG Wang Ip.