



# KIN YAT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)  
(Stock Code: 638)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2004

The Board of Directors of Kin Yat Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2004 together with the comparative figures for the previous corresponding year as follows:

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	2004 HK\$'000	2003 HK\$'000
TURNOVER	2	624,665	794,209
Cost of sales		(529,644)	(630,537)
Gross profit		95,021	163,672
Other revenue		8,163	8,945
Selling and distribution expenses		(22,794)	(29,503)
Administrative expenses		(54,030)	(58,427)
PROFIT FROM OPERATING ACTIVITIES	3	26,360	84,687
Finance costs		(276)	(255)
PROFIT AFTER FINANCE COSTS		26,084	84,432
Share of profits less losses of associates		6,772	(2,028)
PROFIT BEFORE TAX		32,856	82,404
Tax	4	(3,517)	(6,837)
PROFIT BEFORE MINORITY INTERESTS		29,339	75,567
Minority interests		(4,507)	(4,124)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		24,832	71,443
DIVIDENDS	5		
Interim		8,096	10,121
Proposed final		4,048	20,241
		12,144	30,362
EARNINGS PER SHARE	6		
Basic		HK6.13 cents	HK17.92 cents
Diluted		HK6.11 cents	HK17.66 cents

### NOTES:

#### 1. Impact of a revised hong kong statement of standard accounting practice (“SSAP”)

SSAP 12 (Revised) “Income taxes” is effective for the first time for the current year’s financial statements. SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

#### 2. Turnover and segment information

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts but excluding intra-Group transactions.

##### (a) Business segments

The following tables present revenue and profit for the Group’s business segments.

Group	Toys and other products		Motors		Electrical household appliances		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	388,600	569,408	179,446	169,016	56,619	55,785	-	-	624,665	794,209
Inter-segment sales	-	-	16,478	14,049	-	-	(10,478)	(14,049)	-	-
Other revenue and gain	3,581	3,063	2,850	1,384	171	13	-	-	5,802	4,460
Total	392,181	572,471	191,974	184,449	56,790	55,798	(10,478)	(14,049)	630,467	798,669
	(12,729)	46,307	43,946	43,116	255	1,262	-	-	31,472	90,685
Segment results										
Interest, dividend income and unallocated gains									2,361	4,485
Unallocated expenses									(7,473)	(10,483)
Profit from operating activities									26,360	84,687

##### (b) Geographical segments

The following tables present revenue information for the Group’s geographical segments.

Group	United States of America		Europe		Asia		Others		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	202,558	361,822	146,534	159,990	208,992	215,197	66,581	57,200	-	-	624,665	794,209

#### 3. Profit from operating activities

The Group’s profit from operating activities is arrived at after charging/(crediting):

	2004 HK\$'000	2003 HK\$'000
Depreciation	36,337	29,800
Amortisation of deferred development costs	8,016	6,957
Amortisation of goodwill	2,326	2,326
Deficit/(surplus) on revaluation of leasehold land and buildings	(4,393)	3,621
Interest income	(396)	(1,476)

#### 4. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 March 2004. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2004 HK\$'000	2003 HK\$'000
Group:		
Current – Hong Kong	2,837	5,490
Charge for the year	15	(939)
Under/(over) provision in prior years	604	975
Current – Elsewhere	-	1,240
Deferred tax	3,456	6,766

Share of tax attributable to associates

	61	71
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Total tax charge for the year

	3,517	6,837
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#### 5. Dividends

	2004 HK\$'000	2003 HK\$'000
Interim – HK2 cents (2003: HK2.5 cents) per ordinary share	8,096	10,121
Proposed final – HK1 cent (2003: HK5 cents) per ordinary share	4,048	20,241
	12,144	30,362

The directors recommend the payment of a final dividend of HK1 cent per share in respect of the year ended 31 March 2004 to shareholders whose names appear on the register of members on 23 August 2004. The proposed final dividend for the year is based on the number of shares in issue as at the reporting date, and is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

#### 6. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$24,832,000 (2003: HK\$71,443,000) and the weighted average of 404,820,000 (2003: 398,692,877) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$24,832,000 (2003: HK\$71,443,000) and 406,219,438 (2003: 404,623,949) ordinary shares, being the weighted average number of shares outstanding during the year, adjusted for the effects of the dilutive potential ordinary shares outstanding during the year.

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

	2004	2003
Weighted average number of ordinary shares used in calculating basic earnings per share	404,820,000	398,692,877
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the year	1,399,438	5,931,072
Weighted average number of ordinary shares used in calculating diluted earnings per share	406,219,438	404,623,949

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 17 August 2004 to Friday, 20 August 2004 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the proposed final dividend for the year ended 31 March 2004 and for attending the annual general meeting, all transfer of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company’s Share Registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Monday, 16 August 2004.

### MANAGEMENT DISCUSSION AND ANALYSIS

The past financial year continued to be a very difficult one for the toys industry. Unforeseen environmental factors such as the Iraq situation and the outbreak of the Severe Acute Respiratory Syndrome (“SARS”), coupled with fierce price competition, price increases in raw materials, and shortages of labour and electricity, made efficient operation of our manufacturing facilities in China a sustained challenge.

The Group recorded a net profit of HK\$ 24,832,000 (2003: HK\$71,443,000) from ordinary activities attributable to shareholders. Turnover fell 21% to approximately HK\$624,665,000 for the year ended 31 March 2004.

#### Toys

During the year buyers and retailers were very conservative in placing orders as unexpected events plagued consumer sentiments worldwide. The Iraq situation towards the end of 2003 and in the beginning of 2004, traditionally the peak order placement period, further suppressed the already subdued market sentiment. The SARS outbreak from March to June in 2003 also deterred many overseas buyers from fulfilling their procurement trips to this part of the world, and had led to a drop in the Group’s turnover for the year.

Meanwhile, our customers continued to minimize their risk exposure through active product diversification – more model variety and lower volume for each model – and this further diminished our benefits derived from economy of scale. Additionally, retailers continued to target merchandising effort on low to mid-priced items and transfer part of margin squeeze on the manufacturers. There was also cut throat price competition from Mainland Chinese manufacturers.

Another adverse factor came from the soaring oil prices resulting in significant surges in the costs of plastics and other key materials for toys making. Faced with intensifying competition, the Group had to absorb price hikes in materials, especially in the second half of the financial year. Overheads also mounted in pace with tightened labour laws in China and customer demands in code of conduct.

Given the poor market situation and unanticipated negative environmental factors, some clients decided to strategically drop or defer projects under development in the second half of the financial year, causing some sales loss for the Group.

The toys division reported a segment loss of HK\$12,729,000 on a 32% decrease in turnover to HK\$388,600,000 compared with the previous year.

Looking ahead, the 2004-05 financial year continues to be a very tough one. The electricity and labour shortage will present further challenges to operations, but the Group firmly believes in and pledges to continue advancing its unique competitive strength in adding values to products with innovative and specialized technologies. One such initiative was the development of materials to extend the Group’s vertical integration competence and add value to its products.

#### Motors

The Group’s motors division continued to focus its business activities in the toys sector as efforts to expand into other sectors were stalled by the SARS outbreak in the beginning of 2003. Given the poor market conditions in the toys sector, the motors division managed to achieve a slight increase in turnover to HK\$189,924,000 and a segment profit of HK\$43,946,000. Profit margin was maintained stable as a result of constant enhancement of the product mix to offset unfavourable industry factors.

In addition, the availability of stock raw materials had buffered the division’s profit margin from substantial price increases in copper and steel. Nevertheless, the impact of higher material costs will be reflected in the performance of the first quarter of 2004-05 financial year as fierce market competition does not allow the transfer of price increases to customers. Shortages in labour and electricity are also potential threats to the motor division. Meanwhile, efforts to identify niche products and expand the range of motor-powered devices for future momentum growth will continue.

#### CDRs

The performance of the Group’s 50%-owned CDR manufacturing arm was within target as its six production lines were in full operation during the entire financial year but unstable supply of electricity in China was a constant threat to the business and had impaired its performance somewhat. Competition has begun to mount in China and this led to the emergence of a price war in the second quarter. Therefore, the immediate prospect of this division is going to be challenging until the weaker competitors are phased out, but given its manufacturing prowess and technical expertise, the outlook for a longer term is optimistic.

In June 2004, six additional production lines were installed, increasing the production capacity to approximately 11 million pieces per month. The enhanced economy of scale has further reduced the division’s production cost.

#### Prospects

The 2004-05 financial year is going to be very challenging for all manufacturers – certain adverse environmental factors, including labour and electricity shortages and rising materials costs and overheads, are likely to persist for some time.

While the operating environment is not favourable, the Group will continue to ride on its manufacturing and technological strengths, and spruce up operating infrastructure with a more refined strategic direction, to build market share and improve profit-making capabilities. The Group will maintain its long-term resilience through increased marketing efforts and renewed management commitment to advance cost structure and operating efficiency.

### LIQUIDITY AND FINANCIAL POSITION

The Group primarily used its internally generated cash flow and banking facilities to finance its operations and business development during the year. The Group adopts a prudent and conservative policy in its financial management. At the end of the financial year, the Group’s aggregated time deposits and cash and bank balances amounted to HK\$63 million (2003: HK\$85 million). In addition, the Group currently maintains aggregate composite banking facilities of approximately HK\$147 million (2003: HK\$128 million) with various banks, of which HK\$32 million (2003: HK\$6 million) has been utilized as at 31 March 2004.

The Group continues to enjoy healthy financial position. As at 31 March 2004, the current ratio (current assets divided by current liabilities) was 2.3 times (2003: 2.8 times) and the gearing ratio (long term liabilities divided by shareholder funds) was 5.5% (2003: 3.3%).

### 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.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited throughout the year covered by the annual report, except that the independent non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code but subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

### AUDIT COMMITTEE

The Company established an Audit Committee (the “Committee”) in 1999 in compliance with the requirements of the Code as set out in Appendix 14 of the Listing Rules. The Committee was established with written terms of reference, for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Committee comprises the two independent non-executive directors. The work of the Committee has covered the full financial year ended 31 March 2004.

### PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE WEBSITE

A detailed results announcement containing all the information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

On behalf of the Board  
**Cheng Chor Kit**  
Chairman

Hong Kong, 23 July 2004

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of the Members of Kin Yat Holdings Limited (the “Company”) will be held at Lotus Room, 2/F, Regal Oriental Hotel, 30-38 Sa Po Road, Kowloon City, Kowloon, Hong Kong on Monday, 23 August 2004 at 3:00 p.m. for the following purposes:

- To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31 March 2004;
- To declare a final dividend;
- To elect Directors and to fix their remuneration;
- To appoint Auditors and to authorise the Board to fix Auditors’ remuneration;
- To consider as special business and, if thought fit, pass with or without amendments, the following resolution as a Special Resolution:

(a) by adding the following definition in Bye-law 1 immediately before the definition of “Auditor” as follows:

“‘associates’ in relation to any Director, shall have the meaning ascribed to it by the rules of the Designated Stock Exchange.”

(b) by deleting the definition of “clearing house” in Bye-law 1, in its entirety and replacing it with the following:

“‘clearing house’ shall mean a recognised clearing house within the meaning of Part I of Schedule 1 to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any amendments thereto or re-enactments thereof for the time being in force or a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction.”

(c) by deleting Bye-law 9 in its entirety and replacing it with the following:

“9. Subject to Sections 42 and 43 of the Act, any preference shares may be issued or converted into shares that, at a determinable date or at the option of the Company or the holder if so authorised by its memorandum of association, are liable to be redeemed on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution of the Members determine. Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all Members alike.”

(d) By re-numbering existing Bye-law 76 as Bye-law 76(1).

(e) By inserting the following as new Bye-law 76(2):

“(2) Where any Member, under the rules of the Designated Stock Exchange, is required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”

(f) By deleting the existing Bye-law 88 in its entirety and replacing therewith the following new Bye-law 88:

“88. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Office or at the head office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such notice (s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”

(g) By deleting the existing Bye-law 103 in its entirety and replacing therewith the following new Bye-law 103:

“103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

- any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in five (5) per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of his associates is derived); or

(vi) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, their associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates.

(2) A company shall be deemed to be a company in which a Director and/or his associate (s) own(s) five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) is/are the holder(s) of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director and/or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director and/or his associate(s) is/are interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.

(3) Where a company in which a Director and/or his associate(s) hold(s) five (5) per cent. or more is materially interested in a transaction, then that Director and/or his associate (s) shall also be deemed materially interested in such transaction.

(4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman and/or his associate(s) as known to such chairman has not been fairly disclosed to the Board.”

(h) by deleting Bye-law 157 in its entirety and replacing it with the following:

“157. If the office of auditor becomes vacant by the resignation or death of the Auditor, or by his becoming incapable of acting by reason of illness or other disability at a time when his services are required, the Directors may fill any casual vacancy in the office of auditor.”

6. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

#### “THAT

(a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its Shares, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;

(b) the total nominal amount of Shares of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of passing of this resolution and the said approval shall be limited accordingly; and

(c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- the conclusion of the next annual general meeting of the Company;
- the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meetings; and
- the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable laws to be held.”

7. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

#### “THAT

(a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to issue, allot and deal with additional Shares of the Company and to make or grant offers, agreements and options which would or might require Shares to be allotted, issued or dealt with during or after the end of the Relevant Period (as defined below), be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to (i) a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries and/or any eligible grantee pursuant to the scheme of shares or rights to acquire shares of the Company, or (iii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws, the total nominal amount of additional Shares to be issued, allotted, dealt with or agreed conditionally or unconditionally to be issued, allotted or dealt with shall not in total exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of passing of this resolution and the said approval shall be limited accordingly; and

(b) for the purpose of this resolution, “Relevant Period” means