



KIN YAT HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)
(Stock code: 638)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2005 AND DISCLOSURE PURSUANT TO RULE 13.13 OF THE LISTING RULES

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 2005 together with the comparative figures for the previous corresponding year as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		2005 HK\$'000	2004 HK\$'000
	Notes		
TURNOVER	2	737,015	624,665
Cost of sales		(625,229)	(529,644)
Gross profit		111,786	95,021
Other revenue		27,292	8,163
Selling and distribution expenses		(24,580)	(22,794)
Administrative expenses		(58,493)	(54,030)
PROFIT FROM OPERATING ACTIVITIES	3	56,005	26,360
Finance costs		(838)	(276)
PROFIT AFTER FINANCE COSTS		55,167	26,084
Share of profits less losses of associates		(16,736)	6,772
PROFIT BEFORE TAX		38,431	32,856
Tax	4	(4,705)	(3,517)
PROFIT BEFORE MINORITY INTERESTS		33,726	29,339
Minority interests		(2,960)	(4,507)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		30,766	24,832
DIVIDENDS	5		
Interim		2,024	8,096
Proposed final		10,120	4,048
		12,144	12,144
EARNINGS PER SHARE	6		
Basic		HK7.60 cents	HK6.13 cents
Diluted		HK7.58 cents	HK6.11 cents

Notes:

1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of certain fixed assets and short term investments.

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 table presents revenue and result for the Group's business segments.

Group	Toys and related products		Motors		Electrical household appliances		Material development		Eliminations		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue:												
Sales to external customers	467,039	379,196	170,802	179,446	71,997	56,619	27,177	9,404	-	-	737,015	624,665
Inter-segment sales	-	-	6,730	10,478	-	-	-	-	(6,730)	(10,478)	-	-
Other revenue and gain	4,963	3,509	2,721	2,050	71	171	213	72	-	-	7,968	5,802
Total	472,002	382,705	180,253	191,974	72,068	56,790	27,390	9,476	(6,730)	(10,478)	744,983	630,467
Segment results	4,871	(14,547)	36,145	43,946	690	255	2,807	1,818	-	-	44,513	31,472
Interest, dividend income and unallocated gains											19,324	2,361
Unallocated expenses											(7,832)	(7,473)
Profit from operating activities											56,005	26,360

Note:

Due to the increasing significance of the material development segment to Group, separate disclosure of this business segment has been made in the current year. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

(b) Geographical segments

The following table presents revenue information for the Group's geographical segments.

Group	United States of America		Europe		Asia		Others		Eliminations		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue:												
Sales to external customers	257,300	202,558	206,061	146,534	216,835	208,992	56,819	66,581	-	-	737,015	624,665

3. Profit from operating activities

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

	2005 HK\$'000	2004 HK\$'000
Depreciation	42,578	36,337
Amortisation of deferred development costs	9,314	8,016
Amortisation of goodwill	2,326	2,326
Gain on disposal of fixed assets, net	(16,452)	(253)
Surplus on revaluation of leasehold land and buildings, net	(536)	(4,393)
Interest income	(145)	(396)

4. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. 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.

	Group 2005 HK\$'000	2004 HK\$'000
Group:		
Current – Hong Kong		
Charge for the year	2,641	2,837
Under/(over) provision in prior years	(17)	15
Current – Elsewhere	563	604
Deferred tax	1,000	-
	4,187	3,456
Share of tax attributable to associates	518	61
Total tax charge for the year	4,705	3,517

5. Dividends

	2005 HK\$'000	2004 HK\$'000
Interim – HK0.5 cent (2004: HK2 cents) per ordinary share	2,024	8,096
Proposed final – HK2.5 cents (2004: HK1 cent) per ordinary share	10,120	4,048
	12,144	12,144

The directors recommend the payment of a final dividend of HK2.5 cents per share in respect of the year ended 31 March 2005 to shareholders whose names appear on the register of members on 23 August 2005. 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\$30,766,000 (2004: HK\$24,832,000) and the weighted average of 404,820,000 (2004: 404,820,000) 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\$30,766,000 (2004: HK\$24,832,000) and 405,927,239 (2004: 406,219,438) 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:

	2005	2004
Weighted average number of ordinary shares used in calculating basic earnings per share	404,820,000	404,820,000
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the year	1,107,239	1,399,438
Weighted average number of ordinary shares used in calculating diluted earnings per share	405,927,239	406,219,438

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 17 August 2005 to Tuesday, 23 August 2005 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the proposed final dividend for the year ended 31 March 2005 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 Tuesday, 16 August 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded an increase in both turnover and profit in a stagnant year, partly because of bulk orders for movie-related items in the toys operation, and partly because of our successful value engineering process in improving our production efficiency and streamlining the work flow.

Nevertheless, the overall operating environment was difficult with rocketing oil prices that had been pushing costs of major raw materials such as plastics and metals to new heights. Cost control is an even more important factor than ever.

Shortages and unstable supply of labor and electricity in China continued to be major threats and disruptions or contingency measures such as overtime work are putting a tighter strain on our bottom lines.

The Group recorded an attributable net profit of HK\$30,766,000 (2004: HK\$24,832,000), including an extraordinary gain of HK\$16 million made from a property disposal. Turnover increased 18% to approximately HK\$737,015,000 (2004: HK\$624,665,000) for the year to 31 March 2005.

The toys and motors divisions contributed 63% and 23% respectively in turnover to the Group during the year in review. Performance of the materials operation was also encouraging.

Toys

Surging oil prices have made the toys manufacturing sector more difficult than ever. As an industry practice, most of the customer contracts are confirmed at the beginning of each year, and bound by contractual agreements, the Group had to absorb most of the higher materials costs in 2004, therefore eroding profit margin. The situation improved in the first quarter of 2005 when new price quotations became effective.

The toys division reported a turnaround into a segment profit of HK\$4,871,000 on a 23% increase in turnover to HK\$467,039,000. The much improved second half performance helped offset the losses made in the first half. The turnover increase was largely driven by orders relating to a blockbuster movie and the Group's pro-active efforts to restructure its workforce and operation flow. Looking ahead, the Group expects bulk orders of movie-related items and the benefits of the cost control measures will be more apparent in the current year.

While surging fuel price and material costs show no sign of subsiding, shortages of labor and electricity continue to threaten most manufacturers in China, and the market continues to be stagnant and competitive, the Group remains cautiously optimistic in respect of the prospect of the coming year. In response, the Group is in pursuit of value engineering throughout our new product design and development process to keep material and direct labor cost down. The Group has also speeded up its relocation of production activities from Shenzhen to the lower-cost base in Shaoguan. As at the year end, more than half of the division's output was from the Shaoguan premises. This ongoing relocation process will continue to help the Group alleviate the impact of the costs increase in the Pearl River Delta area.

Motors

The Group's motors division continued to focus its business activities in the toys sector for the time being, until efforts to build up business in other sectors had yielded more positive results.

The stagent-performance of the toy sector and mounting price reduction pressure had led to a slightly decrease of 7% in turnover to HK\$177,532,000. Segment profit was HK\$36,145,000, down 18%, due to substantial increases in materials costs for copper and steel, as well as fierce market competition.

On service performance and industry recognition front, the Group was granted the 2004 Hong Kong Awards for Industry: Productivity Certificate of Merit in November 2004, and ISO/TS16949 quality certification.

Efforts to expand the range of motor-powered devices for future momentum growth will continue, and there will be a stronger focus in making the entry breakthrough in the automobile industry.

Material development

The Group made a strategic decision to launch a new business branch on material development. Materials developed are primarily for use in Cathode Ray Tube and Liquid Crystal Display. We are pleased to report an encouraging results performance, with segmental profit of more than HK\$2 million. The Group will devote more efforts to making this segment of substantial potential a major income stream.

CDRs

The Group's 50%-owned CDR manufacturing arm had to share a loss of approximately HK\$16.7 million. Loss in CDR business was attributable to increased production costs, while selling prices were reduced due to severe competition.

Following active expansion last year with all of its 12 production lines in commercial operation, the Group's present task is to increase turnover and profitability.

PROSPECTS

Our most immediate task is to improve our operating mechanism, cost structure, economy of scale and production efficiency, in view of the challenges ahead. In the face of a difficult operating environment, our Group will redouble efforts to re-engineer our product development and manufacturing process. The pace of our shift of production activities from Shenzhen to Shaoguan will also be accelerated to mitigate the impact of the labor and electricity shortages in the southern part of Guangdong Province. By maintaining a dual-location production base, our Group enjoys a balance between achieving cost effectiveness and upholding capabilities for high-tech products.

Management will also closely monitor the impact of and act upon China's decision to drop the RMB's peg to the US dollar. For now, the impact is still relatively minor. We will uphold our core strengths in manufacturing, technical expertise, research and development and marketing to sustain our Group's long-term resilience.

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\$53 million (2004: HK\$63 million). In addition, the Group currently maintains aggregate composite banking facilities of approximately HK\$186 million (2004: HK\$147 million) with various banks, of which HK\$39 million (2004: HK\$32 million) has been utilized as at 31 March 2005.

The Group continues to enjoy healthy financial position. As at 31 March 2005, the current ratio (current assets divided by current liabilities) was 2.7 times (2004: 2.3 times) and the gearing ratio (long term liabilities divided by shareholder funds) was 5.6% (2004: 5.5%).

DISCLOSURE PURSUANT TO RULE 13.13 OF THE LISTING RULES

The Group had trade receivables (the "Trade Receivables") due from a customer, Hasbro SA of HK\$27,555,000 as at 31 March 2005 and HK\$32,461,000 as at 30 June 2005 which individually exceeds 8 percent of the market capitalization of the Group. The Trade Receivables are for sales of toys and related products which are unsecured, interest-free and have a normal repayment term of about 21 days. Hasbro SA is independent third party not connected to directors, chief executives or substantial shareholders of the Group or their respective associates.

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 CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company complied with the code of corporate governance practices (the "Code") as set out in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited which is applicable to be disclosed in this annual report, except that the independent non-executive directors are not appointed for a specific terms 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 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 control of the Group. The Committee comprises three independent non-executive directors. The work of the Committee has covered the full financial year ended 31 March 2005.

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, 22 July 2005

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 Tuesday, 23 August 2005 at 3:00 p.m. for the following purposes:

1. 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 2005;
2. To declare a final dividend;
3. To elect Directors and to fix their remuneration;
4. To appoint Auditors and to authorise the Board to fix Auditors' remuneration;
5. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

"THAT the Bye-laws of the Company be amended in the following manner:

- (a) By deleting the existing Bye-law 68 in its entirety and substituting therefor the following:

"68. If a poll is duly demanded, the results of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting shall announce the results of the poll in accordance with the requirements of the Designated Stock Exchange."

- (b) By deleting the existing Bye-law 86(2) in its entirety and substituting therefor the following:

"86. (2) The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a causal vacancy on the Board, or, subject to authorisation by the Members in a general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Members in a general meeting. Any Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the first general meeting of the Company after his or her appointment and shall be eligible for re-election at that meeting. In case the aforesaid Director retires at an annual general meeting, he or she shall not be taken into account in determining the number of Directors to retire at that meeting."

- (c) By deleting the existing Bye-law 87(1) in its entirety and substituting therefor the following:

"87. (1) Unless and until the Company in a general meeting shall otherwise determine, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director (including those appointed for a specific term or holding office as Chairman or Managing Director) shall be subject to retirement by rotation at least once every three years or within such other period as the Designated Stock Exchange may from time to time prescribe or within such other period as the laws of such jurisdiction applicable to the Company."

- (d) To add at the end of Bye-law 122 the following:

"Where a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation of board resolutions pursuant to this Bye-law but a board meeting should be held with the presence of the independent non-executive Directors who and whose associates have no material interest in the transaction.""

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:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meetings; and
 - (iii) 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 the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meetings; and
 - (iii) 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.”;

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

“THAT the general mandate granted to the Directors of the Company pursuant to resolution no. 7 above and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the total nominal amount of shares in the capital of the Company repurchased by the Company pursuant to the exercise by the Directors of the Company of the powers of the Company to purchase such Shares since the granting of such general mandate referred to in the above resolution no. 6, provided that such amount 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.”

By order of the Board
Cheng Chor Kit
Chairman

Hong Kong, 22 July 2005

As at the date hereof, the Board consists of five executive directors, Mr. Cheng Chor Kit, Mr. Chui Pak Shing, Mr. Yuen Wai Kwong, Mr. Fan Sau Leung and Mr. Wong Kin Chung and three independent non-executive directors, Mr. Chung Chi Ping, Roy, Mr. Wong Chi Wai, Albert and Ms. Sun Kwai Yu, Vivian.

Notes:

- (a) The Register of Members of the Company will be closed from Wednesday, 17 August 2005 to Tuesday, 23 August 2005 (both days inclusive), during which period no transfer of Shares of the Company will be registered. In order to qualify for entitlement to the proposed final dividend for the year ended 31 March 2005 and for attending the Annual General Meeting, all transfers 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 Tuesday, 16 August 2005.
- (b) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, in the event of a poll, vote on his behalf. A proxy need not be a member of the Company.
- (c) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, 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 not less than 48 hours before the time fixed for holding the Meeting.