KIN YAT HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 638)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006 AND APPOINTMENT OF EXECUTIVE DIRECTOR

The Board of Directors (the "Board") is pleased to announce the unaudited consolidated results for Kin Yat Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 September 2006 together with the comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Six months ended 30 September 2006 HK$'000	2005 HK$'000
TURNOVER	2	**471,928**	531,155
Cost of sales		**(391,596)**	(421,376)
Gross profit		**80,332**	109,779
Other income and gains		**7,590**	6,392
Selling and distribution expenses		**(10,178)**	(10,377)
Administrative expenses		**(35,590)**	(31,150)
PROFIT FROM OPERATIONS		**42,154**	74,644
Finance costs		**(299)**	(702)
Share of profits and losses of associates		**(1,764)**	(5,855)
PROFIT BEFORE TAX	3	**40,091**	68,087
Tax	4	**(3,740)**	(6,595)
PROFIT FOR THE PERIOD		**36,351**	61,492
ATTRIBUTABLE TO:			
Equity holders of the Company		**33,536**	58,295
Minority interests		**2,815**	3,197
		36,351	61,492
DIVIDENDS	5	**8,096**	8,096
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	6		
Basic		HK**8.28** cents	HK14.40 cents
Diluted		HK**8.26** cents	HK14.37 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 September 2006 HK$'000	Audited 31 March 2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**304,452**	298,472
Investment properties		**25,800**	25,800
Prepaid land lease payments		**12,894**	13,017
Goodwill		**4,650**	4,650
Interests in associates		**(11,565)**	(10,501)
Deferred development costs		**7,254**	6,623
Total non-current assets		**343,485**	338,061
CURRENT ASSETS			
Inventories		**154,573**	149,939
Accounts receivable	7	**175,513**	53,430
Prepayments, deposits and other receivables		**19,009**	15,893
Time deposits		**62,974**	86,889
Cash and bank balances		**50,446**	51,426
Total current assets		**462,515**	357,577
CURRENT LIABILITIES			
Accounts and bills payable, accrued liabilities and other payables	8	**168,394**	80,225
Interest-bearing bank borrowings		**9,434**	9,434
Tax payable		**11,142**	8,357
Proposed interim dividend		**8,096**	–
Total current liabilities		**197,066**	98,016
NET CURRENT ASSETS		**265,449**	259,561
TOTAL ASSETS LESS CURRENT LIABILITIES		**608,934**	597,622
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**12,672**	12,672
NET ASSETS		**596,262**	584,950
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**40,482**	40,482
Reserves		**536,709**	510,819
Proposed final dividend		**–**	16,193
		577,191	567,494
Minority interests		**19,071**	17,456
TOTAL EQUITY		**596,262**	584,950

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. **BASIS OF PREPARATION AND ACCOUNTING POLICIES**

These condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and Interpretations, Hong Kong Financial Reporting Standards (collectively, the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2006.

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2006 except that the Group adopted all the new standards, amendments to standards and interpretation ("new/revised HKFRSs") which are effective for accounting periods commencing on 1 January 2006. The adoption of these new/revised HKFRSs did not have material financial impact to the results of the Group.

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.

	Unaudited six months ended 30 September											
	Toys and related products		Motors		Electrical appliances		Material development		Eliminations		Consolidated	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Segment revenue:												
Sales to external customers	**285,755**	366,473	**145,609**	116,605	**22,295**	28,179	**18,269**	19,898	**–**	–	**471,928**	531,155
Inter-segment sales	**–**	–	**3,441**	3,663	**–**	–	**–**	–	**(3,441)**	(3,663)	**–**	–
Other income and gain	**1,919**	2,610	**2,615**	1,791	**–**	–	**9**	8	**–**	–	**4,543**	4,409
Total	**287,674**	369,083	**151,665**	122,059	**22,295**	28,179	**18,278**	19,906	**(3,441)**	(3,663)	**476,471**	535,564
Segment results	**14,310**	47,142	**31,035**	28,209	**(386)**	874	**(599)**	1,135	**–**	–	**44,360**	77,360
Interest and unallocated gains											**3,046**	1,983
Unallocated expenses											**(5,252)**	(4,699)
Profit from operations											**42,154**	74,644

(b) ***Geographical segments***

The following table presents the Group's geographical segment revenue.

	Unaudited six months ended 30 September											
	United States of America		Europe		Asia		Others		Eliminations		Consolidated	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Segment revenue:												
Sales to external customers	**201,217**	221,504	**63,905**	123,439	**170,485**	145,399	**36,321**	40,813	**–**	–	**471,928**	531,155

3. **PROFIT BEFORE TAX**

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

	Unaudited Six months ended 30 September 2006 HK$'000	2005 HK$'000
Depreciation and amortisation of prepaid land lease payments	**21,207**	21,818
Amortisation of deferred development costs	**2,837**	3,901
Interest income	**(1,770)**	(799)

4. **TAX**

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Unaudited Six months ended 30 September 2006 HK$'000	2005 HK$'000
Current period provision:		
Hong Kong	**3,418**	6,289
Elsewhere	**322**	306
Total tax charge for the period	**3,740**	6,595

There was no significant unprovided deferred tax in respect of the period and as at the balance sheet date (2005: Nil).

5. **DIVIDENDS**

The directors have declared an interim dividend of HK2 cents per share to shareholders whose name appear on the register of members of the Company on 12 January 2007. The dividend will be paid on 19 January 2007.

	Unaudited Six months ended 30 September 2006 HK$'000	2005 HK$'000
Interim – HK2 cents (2005: HK2 cents) per ordinary share	**8,096**	8,096

6. **EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

The calculation of basic earnings per share amounts is based on the profit for the period attributable to equity holders of the Company of HK$33,536,000 (2005: HK$58,295,000) and the weighted average number of 404,820,000 (2005: 404,820,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to equity holders of the Company of HK$33,536,000 (2005: HK$58,295,000) and 406,048,141 (2005: 405,800,975) ordinary shares, being the weighted average number of shares outstanding during the period, adjusted for the effects of the dilutive potential ordinary shares outstanding during the period.

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

	Unaudited Six months ended 30 September 2006	2005
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 period	**1,228,141**	980,975
Weighted average number of ordinary shares used in calculating diluted earnings per share	**406,048,141**	405,800,975

7. **ACCOUNTS RECEIVABLE**

The Group's trading terms with its customers are mainly on credit, except for new customers, where cash on sale, payment in advance or payment by letter of credit is normally required. The credit period is generally for a period of one month, extending up to two months for certain well-established customers. Accounts receivable are non-interest-bearing.

The ageing of the Group's accounts receivable is analysed as follows:

	Unaudited 30 September 2006 *HK$'000*	Audited 31 March 2006 *HK$'000*
0-30 days	**102,478**	36,208
31-60 days	**41,681**	7,382
61-90 days	**23,143**	4,407
Over 90 days	**8,211**	5,433
Total	**175,513**	53,430

The substantial increase in the accounts receivables is owing to the seasonal factor where September (30 September 2005: HK$141,246,000) is the high season and March (31 March 2005: HK$68,851,000) is the low season. The Group considered such balances are normal and healthy.

8. **ACCOUNTS AND BILLS PAYABLE, ACCRUED LIABILITIES AND OTHER PAYABLES**

	Unaudited 30 September 2006 *HK$'000*	Audited 31 March 2006 *HK$'000*
0-30 days	**56,833**	31,374
31-60 days	**48,699**	14,458
61-90 days	**25,725**	4,422
Over 90 days	**7,231**	3,500
Accounts and bills payable	**138,488**	53,754
Accrued liabilities and other payables	**29,906**	26,471
Total	**168,394**	80,225

The accounts and bills payable and other payables are non-interest-bearing and are normally settled within credit terms of two months, extending up to three months.

9. **POST BALANCE SHEET EVENT**

On 9 November 2006, Kin Yat (HK) Holdings Limited ("Kin Yat (HK)"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Cheng Chor Kit ("Mr. Cheng") (being the chairman, the executive director and the controlling shareholder of the Company), Yang Mu Zhong ("Mr. Yang") and Bright Summit Investment Limited ("Bright Summit") (both being independent third parties) whereby Kin Yat (HK) agreed to acquire 100% interests in Lun Sing Paper Products Company Limited ("Lun Sing"), a company incorporated in Hong Kong with limited liability and held by Mr. Cheng, Mr. Yang and Bright Summit as to 70%, 20% and 10% respectively, at a consideration of HK$1,398,119, and Mr. Cheng agreed to assign and transfer his rights over the loan amount of HK$19,230,959 due to Mr. Cheng by Lun Sing to Kin Yat (HK) at a consideration of HK$19,230,959. Details of the transaction were summarised in a press announcement dated 13 November 2006. This acquisition was approved by the independent shareholders of the Company at a special general meeting held on 15 December 2006 and the completion of the acquisition shall take place within 30 business days from 15 December 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 9 January 2007 to Friday, 12 January 2007 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 September 2006, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Monday, 8 January 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

As a result of the more evenly distribution of toys orders throughout the current fiscal year, the reporting period recorded a 11% drop in turnover to approximately HK$471,928,000 (2005: HK$531,155,000), compared with an exceptionally robust order quantity in the same period last year, while profit attributable to equity holders of the Company was HK$33,536,000 (2005: HK$58,295,000). The core toys and motors divisions contributed 61% and 31% respectively in turnover to the Group during the period in review.

Nevertheless, the Group is optimistic as to the ongoing performance because of the new orders in place, greater vertical integration and other strategic cost cutting measures to produce better yields.

Operational Review

Toys

Market conditions for the toys division remained challenging and competitive. Unlike the first half of last year which was highlighted by an exceptional concentration of orders due to clients' schedule of launch of movie-related items, toys orders for the current fiscal year are more evenly distributed throughout. As a result, the division recorded a 22% drop in turnover to HK$285,755,000 (2005: HK$366,473,000) in the first half of this financial year, when compared with the bolstered first half last year. The division secured part of the orders in relation to two blockbuster movies. We anticipate that the full year result will better reflect the performance of the division.

We are encouraged that one of the Group's major customers has obtained a five-year license from a well-known U.S. entertainment company to develop products based on its globally renowned super hero universe.

While new business opportunities are optimistic, the division continues to work hard to deal with adverse environmental factors that will put a tighter squeeze on its profit margin. One main strategy is to step up the relocation of toys production from Shenzhen to Shaoguan where the production cost is significantly lower. Another important strategy is to further centralise procurement activities and to actively seek alternative vendors.

Motors

The motors division reported stable turnover growth and performance, despite a challenging market environment. The division has been successful in offsetting some of the negative impact through a strategic shift to focus more on products of higher margin.

The toys industry customers remain a significant income source but the division is encouraged by both confirmed and trial orders from new non-toys customers.

Electrical Appliances

This division is set to be one of the growth drivers in the coming financial years as we further diversify our electrical appliances products to artificial intelligent robots with the latest order from iRobot Corporation ("i Robot"). The division look forward to co-operating further with iRobot to develop more high value-adding home electrical appliances.

Prospects

Based on orders in hand, management expects turnover from the toys division to demonstrate a rebound in the second half when compared with the same period in the last financial year, and believes in achieving a healthy growth in full-year turnover year on year.

We will continue to broaden our revenue base and product mix on the basis of core business lines, namely a wider range of toys through active research and development, new line of home electrical appliances with iRobot, and more end-user markets for motors.

At the same time, the Group will strive to improve profitability to offset increasing costs through more efficient production processes, enhanced equipment and automation, and higher vertical integration which has been achieved through the acquisition of a paper factory in China.

The management believes that the Group will be able to achieve a healthy growth in full-year turnover and is also optimistic as to the prospects of the 2007/08 financial year. Commanding a strong financial position, the Group is well positioned to continue its active pursuit of other new investment opportunities.

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 period. The Group adopts a prudent and conservative policy in its financial management. At the end of the financial period, the Group's aggregated time deposits and cash and bank balances amounted to HK$113 million (31 March 2006: HK$138 million). In addition, the Group currently maintains aggregate composite banking facilities of approximately HK$147 million (31 March 2006: HK$147 million) with various banks, of which HK$9 million (31 March 2006: HK$9 million) has been utilised as at 30 September 2006.

The Group continues to enjoy healthy financial position. As at 30 September 2006, the current ratio (current assets divided by current liabilities) was 2.3 times (31 March 2006: 3.6 times) and the gearing ratio (long term liabilities divided by total equity) was 2.1% (31 March 2006: 2.2%).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2006, the Group employed over 10,000 full-time employees, of which approximately 50 were based in Hong Kong with the remainder in China.

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 China, the Group provides its employees staff welfare and allowances in accordance with prevailing labour law. The Group has also put in place a share option scheme to motivate and reward performing staff. At the discretion of the Board of Directors, the Group's employees will be granted options, the amount of which is determined by performance and rank of individual employees.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions as set out in the Code of Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2006 except for the deviation from provision A.2.1 of the CG Code.

Under the code provision A.2.1, the role of chairman and chief executive officer ("CEO") shall be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. After the resignation of Chui Pak Shing, the CEO, from the Company on 12 April 2006, the roles the chairman and the CEO of the Company are then not separated and performed by the same individual, Cheng Chor Kit. The balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meets regularly to discuss issue affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of the Company's directors, all directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the accounting period covered by the interim report.

AUDIT COMMITTEE

The Company has an audit committee with terms of reference revised to align with the provisions of the CG Code as set out in Appendix 14 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls.

As at the date of this report, the audit committee comprised Sun Kwai Yu, Vivian (Chairman of the committee), Chung Chi Ping, Roy and Wong Chi Wai, Albert, the three independent non-executive directors, and the Chairman of the audit committee has the required appropriate professional financial qualifications and experience.

During the period, the audit committee reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the interim financial report for the six months ended 30 September 2006.

REMUNERATION COMMITTEE

The Company has set up the remuneration committee with a particular responsibility to review the Company's remuneration policy for directors and members of the senior management. The remuneration committee currently comprises Chung Chi Ping, Roy (Chairman of the committee), Wong Chi Wai, Albert and Sun Kwai Yu, Vivian, the non-executive directors of the Company, and Cheng Chor Kit and Fung Wah Cheong, the two executive directors of the Company.

The directors' fees are subject to shareholders' approval at general meetings. Emoluments are determined by the remuneration committee with reference to the employee's duties, responsibilities and performance and the results of the Group.

NOMINATION COMMITTEE

The Nomination Committee was set up on 28 September 2005 with specific terms of reference. The nomination committee currently comprises Wong Chi Wai, Albert (Chairman of the committee), Chung Chi Ping, Roy and Sun Kwai Yu, Vivian, the non-executive directors of the Company, and Cheng Chor Kit and Fung Wah Cheong, the two executive directors of the Company. The nomination committee meets at least once each year.

The nomination committee is responsible for recommending to the Board all new appointments of directors.

APPOINTMENT OF EXECUTIVE DIRECTOR

The Company has appointed Mr. Wong Wai Ming ("Mr. Wong") as executive director of the Company with effect from 1 January 2007. The Board would like to take this opportunity to welcome Mr. Wong on the Board.

Mr. Wong, aged 34, joined the group in 2001 and is responsible for overseeing all of the finance and accounting matters of the Group. He holds a bachelor degree in business administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Prior to joining the Group, Mr. Wong has over seven years of experience in auditing and accounting in the international accounting firms. He did not hold any directorship in other listed companies in the last three years. Mr. Wong is also a director of Standard Motor Company Limited, a subsidiary of the Company.

Mr. Wong has entered into service contract with the Company for terms of three years commencing from 1 January 2007 subject to termination by either party giving not less than six months' notice in writing to the other party, the termination of which should not be later than the end of the three years. The annual total emoluments for Mr. Wong will be HK$804,000 and he is also entitled to an additional annual bonus calculated upon the performance of the Group. Mr. Wong's emoluments are determined by the Board after arm's length negotiation with reference to prevailing market condition.

Save for his position as executive director, Mr. Wong has no relationship with any other Directors, senior management or substantial shareholders or controlling shareholders of the Company. He is personally interested in 336,000 share options of the Company, representing approximately 0.08% of the issued share capital of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Saved as disclosed above, Mr. Wong confirmed that there is not other information that needs to be disclosed pursuant to any of the requirements as set out in Rule 13.51(2)(h) to (v) of the Listing Rules. The Company is not aware of any other matter that needs to be bought to the attention of the shareholders of the Company and The Stock Exchange of Hong Kong Limited.

On behalf of the Board
Cheng Chor Kit
Chairman

Hong Kong, 18 December 2006

As at the date of this announcement, the Board consists of five executive directors, Mr. Cheng Chor Kit, Mr. Fung Wah Cheong, Mr. Yuen Wai Kwong, Mr. Wong Kin Chung and Mr. Wong Weng Loong and three independent non-executive directors, Mr. Chung Chi Ping, Roy, Mr. Wong Chi Wai, Albert and Ms. Sun Kwai Yu, Vivian.