



KIN YAT HOLDINGS LIMITED
建溢集團有限公司

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

Interim Report 2007



anniversary



The Board of Directors (the “Board”) is pleased to report the unaudited consolidated results for Kin Yat Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2007 together with the comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 September	
	Notes	2007 HK\$'000	2006 HK\$'000
REVENUE	2	800,687	471,928
Cost of sales		(684,382)	(391,596)
Gross profit		116,305	80,332
Other income and gains	3	8,993	7,590
Selling and distribution expenses		(14,295)	(10,178)
Administrative expenses		(39,581)	(35,590)
Finance costs		(439)	(299)
Share of profits and losses of associates		(754)	(1,764)
PROFIT BEFORE TAX	4	70,229	40,091
Tax	5	(6,111)	(3,740)
PROFIT FOR THE PERIOD		64,118	36,351
Attributable to:			
Equity holders of the Company		60,865	33,536
Minority interests		3,253	2,815
		64,118	36,351
DIVIDENDS	6	18,397	8,096
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7		
Basic		HK14.91 cents	HK8.28 cents
Diluted		HK14.88 cents	HK8.26 cents



CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		384,339	354,998
Investment properties		27,500	27,500
Prepaid land lease payments		13,809	13,938
Goodwill		4,650	4,650
Interests in associates		(9,549)	(13,205)
Deferred development costs		7,350	6,688
		<hr/>	<hr/>
Total non-current assets		428,099	394,569
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		244,565	186,304
Accounts receivable	8	239,789	95,968
Prepayments, deposits and other receivables		34,541	24,983
Time deposits		28,264	101,786
Cash and bank balances		42,723	48,886
		<hr/>	<hr/>
Total current assets		589,882	457,927
		<hr/>	<hr/>
CURRENT LIABILITIES			
Accounts and bills payable, accrued liabilities and other payables	9	288,560	155,850
Interest-bearing bank borrowings	10	9,434	22,842
Tax payable		8,933	7,908
Proposed interim dividend	6	18,397	–
		<hr/>	<hr/>
Total current liabilities		325,324	186,600
		<hr/>	<hr/>
NET CURRENT ASSETS		264,558	271,327
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		692,657	665,896



	Unaudited 30 September 2007	Audited 31 March 2007
<i>Notes</i>	HK\$'000	HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	692,657	665,896
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>15,901</u>	<u>15,901</u>
NET ASSETS	<u>676,756</u>	<u>649,995</u>
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	11 40,882	40,740
Reserves	614,855	570,093
Proposed final dividend	<u>–</u>	<u>20,396</u>
	655,737	631,229
Minority interests	<u>21,019</u>	<u>18,766</u>
TOTAL EQUITY	<u>676,756</u>	<u>649,995</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007 (Unaudited)

	Attributable to equity holders of the Company										
	Share capital	Reserves							Proposed final dividend	Minority interests	Total equity
		premium account	Share option reserve	Asset revaluation reserve	Exchange fluctuation reserve	Contributed surplus	Retained profits	Total reserve			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2007	40,740	105,619	4,396	20,655	14,661	6,150	418,612	570,093	20,396	18,766	649,995
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	(1,000)	(1,000)
2006/2007 final dividend declared	-	-	-	-	-	-	-	-	(20,396)	-	(20,396)
Total income and expenses for the period	-	-	-	-	-	-	60,865	60,865	-	3,253	64,118
Equity-settled share option expenses	-	-	687	-	-	-	-	687	-	-	687
Issue of shares (note 11)	142	1,607	-	-	-	-	-	1,607	-	-	1,749
Interim dividend	-	-	-	-	-	-	(18,397)	(18,397)	-	-	(18,397)
At 30 September 2007	<u>40,882</u>	<u>107,226</u>	<u>5,083</u>	<u>20,655</u>	<u>14,661</u>	<u>6,150</u>	<u>461,080</u>	<u>614,855</u>	-	<u>21,019</u>	<u>676,756</u>

For the six months ended 30 September 2006 (Unaudited)

	Attributable to equity holders of the Company										
	Share capital	Reserves							Proposed final dividend	Minority interests	Total equity
		premium account	Share option reserve	Asset revaluation reserve	Exchange fluctuation reserve	Contributed surplus	Retained profits	Total reserve			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2006	40,482	104,441	2,800	17,455	-	6,150	379,973	510,819	16,193	17,456	584,950
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	(1,200)	(1,200)
2005/2006 final dividend declared	-	-	-	-	-	-	-	-	(16,193)	-	(16,193)
Total income and expenses for the period	-	-	-	-	-	-	33,536	33,536	-	2,815	36,351
Equity-settled share option expenses	-	-	450	-	-	-	-	450	-	-	450
Interim dividend	-	-	-	-	-	-	(8,096)	(8,096)	-	-	(8,096)
At 30 September 2006	<u>40,482</u>	<u>104,441</u>	<u>3,250</u>	<u>17,455</u>	<u>-</u>	<u>6,150</u>	<u>405,413</u>	<u>536,709</u>	-	<u>19,071</u>	<u>596,262</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(13,178)	5,636
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(54,847)	(30,531)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(11,660)	—
NET DECREASE IN CASH AND CASH EQUIVALENTS	(79,685)	(24,895)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	150,672	138,315
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>70,987</u>	<u>113,420</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	42,723	50,446
Time deposits with original maturity of less than three months when acquired	28,264	62,974
	<u>70,987</u>	<u>113,420</u>



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 2007.

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 2007 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 2007. 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		
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	
	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	407,455	285,755	171,617	145,609	218,913	22,295	2,702	18,269	-	-	800,687	471,928	
Inter-segment sales	-	-	3,991	3,441	-	-	-	-	(3,991)	(3,441)	-	-	
Other income and gain	2,778	1,919	3,355	2,615	1	-	208	9	-	-	6,342	4,543	
Total	410,233	287,674	178,963	151,665	218,914	22,295	2,910	18,278	(3,991)	(3,441)	807,029	476,471	
Segment results	29,075	14,310	34,810	31,035	17,200	(386)	(6,691)	(599)	-	-	74,394	44,360	
Interest and unallocated gains												2,651	3,046
Unallocated expenses												(5,623)	(5,252)
Finance costs												(439)	(299)
Share of profits and losses of associates												(754)	(1,764)
Profit before tax												70,229	40,091

(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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	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	410,059	201,217	128,929	63,905	195,319	170,485	66,380	36,321	-	-	800,687	471,928



3. OTHER INCOME AND GAINS

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Bank interest income	1,366	1,770
Gross rental income	3,240	2,512
Sales of scrap material	3,486	3,193
Others	901	115
	<u>8,993</u>	<u>7,590</u>

4. PROFIT BEFORE TAX

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

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Depreciation and recognition of prepaid land lease payments	22,203	21,207
Amortisation of deferred development costs	2,770	2,837
Bank interest income	<u>(1,366)</u>	<u>(1,770)</u>

5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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	
	2007	2006
	HK\$'000	HK\$'000
Current period provision:		
Hong Kong	5,892	3,418
Elsewhere	219	322
	<u>6,111</u>	<u>3,740</u>
Total tax charge for the period	<u>6,111</u>	<u>3,740</u>

There was no significant unprovided deferred tax in respect of the period and as at the balance sheet date (2006: Nil).

6. DIVIDENDS

The directors have declared an interim dividend of HK4.5 cents per share to shareholders whose name appear on the register of members of the Company on 11 January 2008. The dividend will be paid on 18 January 2008.

	Unaudited	
	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Interim – HK4.5 cents (2006: HK2 cent) per ordinary share	<u>18,397</u>	<u>8,096</u>



7. 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\$60,865,000 (2006: HK\$33,536,000) and the weighted average number of 408,134,230 (2006: 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\$60,865,000 (2006: HK\$33,536,000) and 408,963,637 (2006: 406,048,141) 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	
	2007	2006
Weighted average number of ordinary shares used in calculating basic earnings per share	408,134,230	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	<u>829,407</u>	<u>1,228,141</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>408,963,637</u>	<u>406,048,141</u>

8. 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 2007 HK\$'000	Audited 31 March 2007 HK\$'000
0-30 days	148,213	64,192
31-60 days	47,187	11,331
61-90 days	33,277	11,472
Over 90 days	11,112	8,973
	<hr/>	<hr/>
Total	<u>239,789</u>	<u>95,968</u>

The substantial increase in the accounts receivables is owing to the seasonal factor where September (30 September 2006: HK\$175,513,000) is the high season and March (31 March 2006: HK\$53,430,000) is the low season. The Group considered such balances are normal and healthy.



9. ACCOUNTS AND BILLS PAYABLE, ACCRUED LIABILITIES AND OTHER PAYABLES

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
0-30 days	109,068	44,145
31-60 days	92,571	32,295
61-90 days	34,478	32,746
Over 90 days	10,029	9,951
	<hr/>	<hr/>
Accounts and bills payable	246,146	119,137
Accrued liabilities and other payables	42,414	36,713
	<hr/>	<hr/>
Total	288,560	155,850
	<hr/> <hr/>	<hr/> <hr/>

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.

10. INTEREST-BEARING BANK BORROWINGS

The Group's banking facilities are supported by corporate guarantees given by the Company and certain subsidiaries of the Company. As at 30 September 2007, the Group's bank borrowing is repayable within one year, bears interest at HIBOR+2% per annum and is denominated in RMB.

11. SHARE CAPITAL

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
408,816,000 (31 March 2007: 407,400,000) ordinary shares of HK\$0.10 each	<u>40,882</u>	<u>40,740</u>

A summary of the movements in the Company's issued ordinary share capital during the period is as follows:

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2007	407,400,000	40,740	105,619	146,359
Share options exercised (note)	<u>1,416,000</u>	<u>142</u>	<u>1,607</u>	<u>1,749</u>
At 30 September 2007	<u>408,816,000</u>	<u>40,882</u>	<u>107,226</u>	<u>148,108</u>

Note:

During the period, the subscription rights attaching to 516,000 and 900,000 share options were exercised at the subscription price of HK\$1.592 and HK\$1.03 per share, respectively, resulting in the issue of 1,416,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$1,749,000.

12. CONTINGENT LIABILITIES

At the balance sheet date, the Company had provided guarantees of HK\$165,185,000 (31 March 2007: HK\$165,185,000) and HK\$41,000,000 (31 March 2007: HK\$41,000,000) in respect of banking facilities granted to certain subsidiaries and associates, of which HK\$9,434,000 (31 March 2007: HK\$22,842,000) and HK\$22,002,000 (31 March 2007: HK\$32,342,000) had been utilised as at the balance sheet date, respectively.



CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 8 January 2008 to Friday, 11 January 2008 (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 2007, 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, Tricor 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, 7 January 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

The Kin Yat Group encompasses a range of research-and-development-based industrial disciplines, including a vertically integrated toy development, engineering and manufacturing business, an electrical appliances operation specializing in artificially intelligent (AI) gadgets, and an electric motor production unit. The Group also has investments in the development of display-related materials and for some time has been moving further upstream to pursue business opportunities in sectors where raw materials resources are becoming increasingly scarce.

This healthy diversification is bolstered by a long-standing Group commitment to constantly advancing management capabilities and business dimensions, and maintaining sound financial management in the support of business development initiatives.

This strategy has endowed the Group with strong growth momentum. After achieving record-breaking turnover last year, the Group's strong performance has extended well into the first half of fiscal 2007/08. Turnover for the six months ended 30 September 2007 increased 70% year on year to HK\$800,687,000 (2006: HK\$471,928,000), setting another half-year record for the Group, with profit attributable to equity holders of the Company also rising substantially by 81% year on year to HK\$60,865,000 (2006: HK\$33,536,000).

While management is encouraged by this strong set of results, it remains alert to the pace and extent of change in the operating environment and to industry trends. Manufacturers in the Pearl River Delta have worked to cope with such challenges as rising minimum wage rates and raw material prices. The Group devotes considerable management attention to industry events and the implications of subsequent regulatory or trading policy changes.

Specifically, the core operations of toys, electrical appliances and motors, each contributed 51% (2006: 61%), 27% (2006: 5%) and 21% (2006: 31%), respectively, in turnover to the Group during the half year, indicative of a healthy Group business portfolio and earnings base.

Meanwhile, the Group's proactive business development initiatives will power a new phase of dynamic growth for the Group.

Business Strategy

We firmly believe that our four-pillar business structure, with a balanced portfolio of steady revenue contributors, returns-generating operations, growth drivers and a pipeline of future development projects, is the right direction for the Group. This enables us to derive revenue from a more diversified mix of income streams while at the same time generating more stable, sustainable and high-quality earnings that produce long-lasting enhancements to shareholder value.

As management deploys its expertise and resources across the four business streams, the ongoing policy is to incubate and nurture the individual business segments so that they can each realize their potential and grow into fully-fledged independent operations.

Business development is research-and-development driven and based on the Group's expanding capacity and capabilities. Development of the toys segment is centred around the movie-and-entertainment category, while the appliances operation is advancing further in the area of AI products. Growth of the motors division, on the other hand, will be end-user-market led, with sustained Group efforts being made to expand the customer base into new segments. Lastly, the Group will continue to make prudent investments in the resources development unit in order to produce results from downstream material production and to seek greater room for development in the upstream mining arena.



The four business streams are complementary in terms of revenue generating patterns. The toys and appliances divisions are more order-based in business nature. The motors and resources development units therefore serve to bring stability to overall Group sales and earnings.

To translate our improved revenue-generating capabilities into bottom-line increases, the Group also devotes considerable management attention to cost elements. An ongoing task is the improvement of staff satisfaction and therefore workforce productivity, as well as operational efficiency.

Operational Review

New Levels of Capability

The Group's growth aspirations have spurred the development of its third production base in Mainland China. Located in Shaoguan, Guangdong Province, this new base, commissioned in the fourth quarter of 2007, will accommodate planned expansion in toy manufacturing, as well as lower the overall cost structure of the toys operation, while allocating the higher-cost Shenzhen base to the development of the higher-margin AI appliances business. These ongoing relocations help to better deploy group resources across all business streams.

The new facilities are not only designed to increase our scale of business by way of capacity expansion, but more importantly to enable us to set our sights on new business dimensions through the upgrading of our industrial capabilities in support of the Group's long-term strategy to develop on a broader front.

New Business Dimensions

Toys

Recently, the toys industry has been navigating its way through difficulties and uncertainties amidst heightened trade disputes between the two ends of the trade. In addition, manufacturers have to cope with the ever-tightening customer requirements, strong competition and a slowing US economy.

During the period under review, safety issues have aroused some concern over the standard of some Chinese-made toys, resulting in overall industry uncertainties. As a reputable manufacturer with over 30 years of experience, Kin Yat imposes the most stringent quality standards on materials sourcing and production processes. Consumer health remains a prime consideration at Kin Yat, and we therefore continue to incorporate the highest product-safety standards into our production processes.

Despite a challenging market and operating environment, we are pleased to report solid growth in segment turnover to HK\$407,455,000 (2006: HK\$285,755,000), up 43% over the comparative period. Major contributors to this growth included re-orders for Star Wars products and new orders for Spider-Man 3 and Transformers products, introduced to coincide with the release of these two blockbuster movies in May and July 2007 respectively. Due to strong market response, orders for the Transformers line in particular far exceeded forecasts. The Ultimate Bumblebee in the Transformers series was particularly well received by the market, breaking into almost all top-ten toys or gifts rankings in the U.S.

The combined effects of economies of scale, extension of product line into the premium end, and the implementation of cost control measures, have greatly contributed to the segment's improved bottom line.

Looking ahead, the division's strong order book, especially in the premium product lines, points to continued growth and promising prospects for the toys segment. Confirmed orders for movie-themed toys will contribute to high utilization of Group facilities until the last quarter of 2007, with some orders extending into the first quarter of 2008. Development of new TV-series related toy products is also underway ahead of the scheduled broadcasts.



Management has complete confidence in the ongoing performance of the toys division. The enhancement of operational efficiency will be an ongoing effort to further advance the division's profitability.

Motors

The Group has positioned the motors operation to complement its cyclical core toys and appliances businesses. We are encouraged to report steady segment turnover and profit growth despite a challenging market environment. The division has continued with its strategic shift to higher-margin products, as well as the diversification from a predominantly toys-focused customer portfolio to a much broader end-user market base.

The division generated external sales of HK\$171,617,000 (2006: HK\$145,609,000) during the reporting period, which was up 18% year on year.

The division's consistent efforts in developing and engaging in test orders from non-toy sectors have borne fruit. With the successful completion of product testing and trials, the division has obtained increasing orders from customers in the automotive, household and personal care products, office automation and audio-visual equipment sectors. The division expects the volume of such orders to further increase in fiscal 2008/09.

Overall, management maintains a very positive outlook for this division.

Electrical Appliances

Meeting its business target of being one of the Group's major growth drivers, the electrical appliances segment recorded a nine-time leap in turnover to HK\$218,913,000 (2006: HK\$22,295,000). The division has developed a specialization in AI appliances, highlighted by the range of vacuum cleaning robots which it developed with the NASDAQ-listed iRobot Corporation ("iRobot"). The division is very pleased to be able to contribute its manufacturing and technology expertise in this production partnership with iRobot.

Production of the iRobot Roomba series progressed as scheduled with the first shipment in July 2007, in time for the August 2007 market debut. Initial market results have been very positive. Despite booking only three months' sales of iRobot Roomba into first-half segment turnover, this new line has already contributed turnover of HK\$186 million to the appliances division.

Production was maintained at peak levels during the last quarter of 2007. Looking at current sales figures and the order book, management forecasts an even stronger sales performance for iRobot Roomba in the second half. The AI appliances line is expected to continue to fuel significant sales growth for the Group.

Resources Development

The resources development segment was also initiated by the Group several years ago as a strategic vehicle to moderate cyclical business fluctuations caused by the core toys segment. Intensive research-and-development work has led to the establishment of a more sophisticated business platform for the future roll-out of upper-end Indium Tin Oxide (ITO) target products. Costs related to development work still underway have resulted in a segment loss of HK\$6,691,000 (2006: Loss of HK\$599,000). This loss also reflected the writing off of some obsolete machinery as the division prepares to move further upscale in the product line.

ITO target is applied in the production of thin transparent electrically conductive film for liquid crystal display (LCD) devices.

In addition to the development of downstream products, the Group is also making active pursuits to tap business opportunities in the upstream mining arena. On September 24, 2007, the Group acquired a 70% equity interest in Xian Jinshi Mining Company Limited (“**Xian Jinshi**”). On October 11, 2007, the exploration licence conferring the right to explore in a polymetallic ore mine containing primarily lead, zinc and gold deposits in Lantian County, Xian city, Shaanxi Province, was issued in favour of Xian Jinshi. Xian Jinshi will carry out geological general prospecting in new mining spots and will commence exploration work along the mineral veins found in Jinshi Mine.

Management maintains a positive outlook for the ongoing development of this new business initiative, and will actively pursue other business opportunities in resources mining.



Outlook

The positive steps the Group had taken during recent years and the initial results achieved so far have convinced us that we are on the right track to strong and sustainable growth.

Building on our expanded industrial base in China, we will advance the breadth and depth of our core capabilities and make steady progress towards new business horizons. We will continue to broaden our revenue base by planning and investing in businesses that provide long-term prospects for growth and profitability. The Group has opened the way to tapping into the resources sector in China. These active investment pursuits will be maintained in order to sustain growth momentum.

To transform this mission into reality, the Group maintains a strong financial position in support of its continued business development initiatives.

The strong order books for our core operations point to continued sales strength well into the second half. While we are optimistic about our ongoing performance, we will continue to broaden the product and customer mix along core business lines, with a view to enhancing the quality of our existing earnings portfolio.

At the same time, the Group continues to strive to improve profitability to offset increasing costs through more efficient production processes, enhanced equipment and automation, and higher vertical integration.

With our strong foundation, increased capacity and team of dedicated staff, we are confident of future success. We envisage that on the basis of new levels of capabilities, Kin Yat will continue to tap into new dimensions of business.

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\$71 million (31 March 2007: HK\$151 million). In addition, the Group currently maintains aggregate composite banking facilities of approximately HK\$156 million (31 March 2007: HK\$156 million) with various banks, of which HK\$9 million (31 March 2007: HK\$23 million) has been utilised as at 30 September 2007.

The Group continues to enjoy healthy financial position. As at 30 September 2007, the current ratio (current assets divided by current liabilities) was 1.8 times (31 March 2007: 2.5 times) and the gearing ratio (long term liabilities divided by total equity) was 2.3% (31 March 2007: 2.4%).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2007, the Group employed over 12,000 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.



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2007, the interests of the directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(A) Shares

Name of director	Long position/ short position	Capacity	No. of ordinary shares held	Approximate percentage of the Company's issue share capital
Cheng Chor Kit	Long position	Founder of a trust	267,794,000 (Note)	65.50%
Fung Wah Cheong	Long position	Beneficial owner	4,200,000	1.03%
Wong Weng Loong	Long position	Beneficial owner	50,000	0.01%
Wong Wai Ming	Long position	Beneficial owner	40,000	0.01%

Note: These shares, amounting to around 65.50% of the total issued share capital of the Company, are held by Resplendent Global Limited ("Resplendent"), a company incorporated in the British Virgin Islands. Padora Global Inc. ("Padora") is the beneficial owner of all the issued share capital of Resplendent. Padora is a company incorporated in the British Virgin Islands and is wholly-owned by Polo Asset Holdings Limited, which is ultimately owned by the trustees of a discretionary trust established by Cheng Chor Kit for his family.

(B) Underlying Shares

Name of director	Long position/ short position	Capacity	No. of underlying shares in respect of share options held and approximate percentage of shareholding		Date of share options granted	Exercise period	Exercise price per share
			No. of share options granted				
Cheng Chor Kit	Long position	Beneficial owner	2,000,000	2,000,000 (0.49%)	14/11/2003	14/11/2006- 13/11/2013	HK\$1.592
		Beneficial owner	1,300,000	1,300,000 (0.32%)	4/10/2006	4/10/2009- 3/10/2016	HK\$1.03
		Interest hold by spouse	1,200,000	1,200,000 (0.29%)	4/10/2006	4/10/2009- 3/10/2016	HK\$1.03
Fung Wah Cheong	Long position	Beneficial owner	700,000	700,000 (0.17%)	4/10/2006	1/8/2007- 3/10/2016	HK\$1.03
Wong Wai Ming	Long position	Beneficial owner	296,000	296,000 (0.07%)	4/10/2006	4/10/2009- 3/10/2016	HK\$1.03
Yuen Wai Kwong	Long position	Beneficial owner	240,000	240,000 (0.06%)	4/10/2006	4/10/2009- 3/10/2016	HK\$1.03
Wong Weng Loong	Long position	Beneficial owner	150,000	150,000 (0.04%)	4/10/2006	4/10/2009- 3/10/2016	HK\$1.03

Save as disclosed above, none of the directors and chief executive had registered an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include all executive directors and any fulltime employee of the Company or any of its subsidiaries and any suppliers, customers, consultants or advisors who will provide or have provided services to the Group.



Movements in the share options under the Scheme during the period are as follows:

	Date of share options granted	Number of share options				Exercise period	Exercise price per share HK\$	Price of Company's shares at grant date of options** HK\$
		At 1 April 2007	Exercised during the period	Lapsed during the period	At 30 September 2007			
Directors								
Cheng Chor Kit	14/11/2003	2,000,000	-	-	2,000,000	14/11/2006-13/11/2013	1.592	1.60
	4/10/2006	2,500,000	-	-	2,500,000*	4/10/2009-3/10/2016	1.03	1.03
Fung Wah Cheong	4/10/2006	1,600,000	(900,000)	-	700,000	1/8/2007-3/10/2016	1.03	1.03
Wong Wai Ming	14/11/2003	40,000	(40,000)	-	-	14/11/2006-13/11/2013	1.592	1.60
	4/10/2006	296,000	-	-	296,000	4/10/2009-3/10/2016	1.03	1.03
Wong Weng Loong	14/11/2003	50,000	(50,000)	-	-	14/11/2006-13/11/2013	1.592	1.60
	4/10/2006	150,000	-	-	150,000	4/10/2009-3/10/2016	1.03	1.03
Yuen Wai Kwong	4/10/2006	240,000	-	-	240,000	4/10/2009-3/10/2016	1.03	1.03
Other employees								
In aggregate	14/11/2003	972,000	(426,000)	(44,000)	502,000	14/11/2006-13/11/2013	1.592	1.60
	4/10/2006	2,660,000	-	(180,000)	2,480,000	4/10/2009-3/10/2016	1.03	1.03
		<u>10,508,000</u>	<u>(1,416,000)</u>	<u>(224,000)</u>	<u>8,868,000</u>			

* Among the 2,500,000 share options held by Cheng Chor Kit, 1,200,000 share options are held by his spouse.

** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing prices on the trading day immediately prior to the date of the grant of the options.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section headed "Directors' interests and short positions in shares and underlying shares" and "Share option scheme" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2007, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital	Number of share options held
Cheng Chor Kit (Note 1)	Through a controlled corporation	267,794,000	65.50%	4,500,000 (Note 2)

Note 1: These shares were held through Resplendent.

Note 2: Among these share options, 1,200,000 share options were held by the spouse of Cheng Chor Kit.

This shareholding is duplicated in the section headed "Directors' interests and short positions in shares and underlying shares" disclosed above.

The details of the share options outstanding during the period are separately disclosed in the section headed "Share option scheme" disclosed above.



Saved as disclosed above, no person, other than Cheng Chor Kit, whose interests are set out in the section “Directors’ interests and short positions in shares and underlying shares” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 2007 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. The roles the chairman and the CEO of the Company are 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 2007.

REMUNERATION COMMITTEE

The remuneration committee was established 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 established 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.

The nomination committee considers the past performance and qualification of the candidates for directors, general market conditions and the Company's Bye-laws in selecting and recommending candidates for directorship during the year under review.

BOARD OF DIRECTORS

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

On behalf of the Board
Cheng Chor Kit
Chairman

Hong Kong, 14 December 2007