KIN YAT HOLDINGS LIMITED
建溢集團有限公司

website: http://www.kinyat.com.hk

(Incorporated in Bermuda with limited liability)

(Stock Code: 638)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

The Board of Directors (the "Board") is pleased to report the unaudited condensed consolidated results for Kin Yat Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 September 2010 together with the comparative figures for the corresponding period in 2009. This interim financial report has not been audited, but has been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited For the six months ended 30 September	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**966,726**	789,853
Cost of sales		**(792,133)**	(623,689)
Gross profit		**174,593**	166,164
Other income and gains, net	*3*	**15,706**	7,578
Selling and distribution expenses		**(26,343)**	(18,736)
Administrative expenses		**(69,206)**	(50,599)
Finance costs		**(399)**	(533)
Share of profits and losses of an associate		**(127)**	–
PROFIT BEFORE TAX	*4*	**94,224**	103,874
Income tax expense	*5*	**(16,315)**	(11,264)
PROFIT FOR THE PERIOD		**77,909**	92,610
Attributable to:			
Owners of the Company		**79,988**	90,430
Non-controlling interests		**(2,079)**	2,180
		77,909	92,610
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*7*		
Basic		**HK19.13 cents**	HK22.12 cents
Diluted		**HK19.10 cents**	HK22.11 cents

Details of the dividends are disclosed in note 6 to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**77,909**	92,610
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
Exchange differences on translation of foreign operations	**24**	(268)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**77,933**	92,342
Attributable to:		
Owners of the Company	**80,004**	90,148
Non-controlling interests	**(2,071)**	2,194
	77,933	92,342

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited 30 September 2010 *HK$'000***	Audited 31 March 2010 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**520,248**	518,097
Investment properties		**37,727**	37,727
Prepaid land lease payments		**13,794**	14,009
Goodwill		**4,650**	4,650
Interests in associates		**(7,432)**	(7,199)
Deferred development costs		**6,271**	5,158
Total non-current assets		**575,258**	572,442
CURRENT ASSETS			
Inventories		**272,285**	155,519
Accounts receivable	*8*	**278,886**	132,932
Prepayments, deposits and other receivables		**81,550**	35,800
Time deposits		**–**	114,219
Cash and bank balances		**264,361**	245,801
Total current assets		**897,082**	684,271
CURRENT LIABILITIES			
Accounts and bills payable, accrued liabilities and other payables	*9*	**357,035**	226,910
Interest-bearing bank borrowings	*10*	**75,459**	33,542
Tax payable		**30,410**	16,169
Total current liabilities		**462,904**	276,621
NET CURRENT ASSETS		**434,178**	407,650
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,009,436**	980,092

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Note	Unaudited 30 September 2010 HK$'000	Audited 31 March 2010 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,009,436**	980,092
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*10*	**21,875**	38,819
Deferred tax liabilities		**13,914**	13,692
Total non-current liabilities		**35,789**	52,511
NET ASSETS		**973,647**	927,581
EQUITY			
Equity attributable to owners of the Company			
Issued share capital		**41,875**	41,785
Reserves		**938,191**	890,560
		980,066	932,345
Non-controlling interests		**(6,419)**	(4,764)
TOTAL EQUITY		**973,647**	927,581

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for leasehold land and buildings and investment properties that are measured at fair value, as appropriate. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010 except as described by below. In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by HKICPA which are effective for the Group's financial year beginning on 1 April 2010.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the Controlling Interest in a Subsidiary*
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs

The adoption of the new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

2. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(a) the electrical and electronic products segment consists of the manufacture and sale of electrical appliances, electronic toys and related products;

(b) the motors segment consists of the manufacture and sale of motors;

(c) the feature plush and wooden toys segment consists of the manufacture and sale of feature plush and wooden toys; and

(d) the resources development segment consists of the manufacture and sale of materials primarily for use in liquid crystal display and mine exploration.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the condensed consolidated financial statements.

Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to the third parties at the then prevailing market prices.

2. SEGMENT INFORMATION *(Continued)*

(a) Operating segments

The following table presents revenue and result for the Group's operating segments for the six months ended 30 September 2010 and 2009.

	Unaudited for the six months ended 30 September											
	Electrical and electronic products		Motors		Feature plush and wooden toys		Resources development		Eliminations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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:												
Revenue from external customers	**626,620**	555,648	**306,153**	201,399	**29,955**	30,961	**3,998**	1,845	**–**	–	**966,726**	789,853
Intersegment sales	**1,406**	–	**31,937**	3,128	**–**	–	**–**	–	**(33,343)**	(3,128)	**–**	–
Other income and gains, net	**4,022**	3,104	**8,739**	2,048	**494**	583	**45**	–	**–**	–	**13,300**	5,735
Total	**632,048**	558,752	**346,829**	206,575	**30,449**	31,544	**4,043**	1,845	**(33,343)**	(3,128)	**980,026**	795,588
Segment results	**102,967**	101,458	**5,858**	14,501	**1,599**	2,740	**(10,125)**	(10,826)	**–**	–	**100,299**	107,873
Interest and unallocated gains											**2,405**	1,843
Unallocated expenses											**(7,954)**	(5,309)
Finance costs											**(399)**	(533)
Share of profits and loss of an associate											**(127)**	–
Profit before tax											**94,224**	103,874

(b) Geographical information

	Unaudited for the six months ended 30 September											
	United States of America		Europe		Asia		Others		Eliminations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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:												
Revenue from external customers	**287,087**	263,079	**223,276**	211,082	**377,152**	250,893	**79,211**	64,799	**–**	–	**966,726**	789,853

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

3. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts but excluding intra-group transactions. An analysis of revenue, other income and gains, net is as follows:

	Unaudited for the six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of:		
Electrical and electronic products	**626,620**	555,648
Motors	**306,153**	201,399
Feature plush and wooden toys	**29,955**	30,961
Materials from resources development	**3,998**	1,845
	966,726	789,853
Other income and gains, net		
Bank interest income	**548**	319
Gross rental income	**2,765**	3,504
Sale of scrap materials	**9,861**	2,064
Fair value gain on derivative financial instruments, net	**–**	798
Others	**2,532**	893
	15,706	7,578

4. PROFIT BEFORE TAX

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

	Unaudited for the six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Depreciation	**35,839**	35,025
Amortisation of prepaid land lease payments	**176**	139
Amortisation of deferred development costs	**2,500**	3,010
Amortisation of exploration and evaluation assets	**–**	204
Loss/(gain) on disposal of items of property, plant and equipment, net	**794**	(66)
Fair value gain on derivative financial instruments, net	**–**	(798)
Bank interest income	**(548)**	(319)

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) 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.

Pursuant to the Enterprise Income Tax Law (the "New PRC Tax Law") of the PRC being effective on 1 January 2008, the PRC income tax rate is unified to 25% for all enterprises. Under an implementation guidance note of the New PRC Tax Law, enterprises established before the publication of the New PRC Tax Law were entitled to preferential treatments of a reduced corporate income tax rate (the "CIT rate") granted by the relevant tax authorities. The new CIT rate would be gradually increased from the preferential rate to 25% within 5 years after the effective date of the New PRC Tax Law on 1 January 2008. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

5. INCOME TAX *(Continued)*

	Unaudited for the six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Current period provision:		
Hong Kong	**9,086**	11,114
Elsewhere	**7,007**	150
Deferred	**222**	–
Total tax charge for the period	**16,315**	11,264

6. DIVIDEND

	Unaudited for the six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
Dividend paid during the period		
Final in respect of the financial year ended 31 March 2010 – HK8 cents per ordinary share (2009: final dividend of HK4 cents per ordinary share, in respect of the financial year ended 31 March 2009)	**33,501**	16,353
Proposed interim dividend		
Interim – HK4.5 cents (2009: HK5 cents) per ordinary share	**18,844**	20,645

The interim dividend will be paid to the shareholders whose names appear in the register of members on 17 December 2010. The interim dividend was declared after the period ended 30 September 2010, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

7. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the period attributable to owners of the Company of HK$79,988,000 (2009: HK$90,430,000) and the weighted average of 418,059,475(2009: weighted average of 408,816,000) ordinary shares in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to owners of the Company of HK$79,988,000 (2009: HK$90,430,000) and 418,787,897 (2009:408,981,926) ordinary shares, being the 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 ordinary shares used in calculating basic and diluted earnings per share is as follows:

	Unaudited for the six months ended 30 September	
	2010	2009
Weighted average number of ordinary shares used in calculating basic earnings per share	**418,059,475**	408,816,000
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the period	**728,422**	165,926
Weighted average number of ordinary shares used in calculating diluted earnings per share	**418,787,897**	408,981,926

8. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit, except for new customers, where cash on sale or payment in advance is normally required. The credit period is generally for a period of one month, extending up to two months for certain well-established customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable mainly relate to recognised and creditworthy customers, there is no significant credit risk. Accounts receivable are non-interest-bearing.

8. ACCOUNTS RECEIVABLE *(Continued)*

An aged analysis of the Group's accounts receivable as at the end of the reporting period, based on the invoice date, is as follows:

	Unaudited 30 September 2010 *HK$'000*	Audited 31 March 2010 *HK$'000*
0-30 days	**184,637**	100,107
31-60 days	**75,693**	21,868
61-90 days	**14,354**	8,367
Over 90 days	**5,518**	4,158
	280,202	134,500
Less: Impairment allowance	**(1,316)**	(1,568)
	278,886	132,932

The substantial increase in the accounts receivables is owing to the seasonal factor where September (30 September 2009: HK$253,923,000) is the high season and March (31 March 2009: HK$120,866,000) is the low season. The Group considered such balances are normal and healthy.

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

An ageing of the Group's accounts and bills payable as at the end of the reporting period, based on the invoice date, and the balance of accrued liabilities and other payables are as follow:

	Unaudited 30 September 2010 *HK$'000*	Audited 31 March 2010 *HK$'000*
0-30 days	**84,247**	62,864
31-60 days	**93,773**	25,854
61-90 days	**35,223**	22,390
Over 90 days	**9,049**	6,121
Accounts and bills payable	**222,292**	117,229
Accrued liabilities	**103,820**	94,278
Other payables	**30,923**	15,403
	357,035	226,910

9. ACCOUNTS AND BILLS PAYABLE, ACCRUED LIABILITIES AND OTHER PAYABLES *(Continued)*

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.

As at 30 September 2010, included in other payables, an amount of RMB5,200,000 (approximately HK$5,909,000) (31 March 2010:RMB5,200,000 (approximately HK$5,909,000)), was received in respect of subsidies from the Department of Information Industry of Guangdong Province, the PRC, for the research and development costs incurred by the Group for its resources development project.

10. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate	**Maturity**	**Unaudited 30 September 2010** ***HK$'000***	Audited 31 March 2010 *HK$'000*
Current				
Bank loan – unsecured	Hong Kong Interbank Offered Rate ("HIBOR") +1%	2011	**1,944**	3,333
Bank loan – unsecured	HIBOR+1%	2010-2011	**73,515**	30,209
			75,459	33,542
Non-current				
Bank loan – unsecured	HIBOR+1%	2011	**–**	279
Bank loan – unsecured	HIBOR+1%	2011-2012	**21,875**	38,540
			21,875	38,819
			97,334	72,361

The Group's banking facilities are supported by corporate guarantees given by the Company and certain subsidiaries of the Company.

All bank borrowings are in Hong Kong dollars.

11. **COMMITMENTS**

(i) At the end of the reporting period, the Group had contracted for capital commitments in respect of wholly-owned enterprises in the PRC amounting to HK$72,935,000 (31 March 2010: HK$89,865,000).

(ii) At the end of the reporting period, the Group had contracted for capital commitments in respect of the acquisition of property, plant and equipment of HK$41,399,000 (31 March 2010: HK$27,913,000).

The Company did not have any other significant commitments at the end of the reporting period (31 March 2010: Nil).

12. **CONTINGENT LIABILITIES**

At the end of the reporting period, the Company had provided guarantees of HK$ 150,000,000 (31 March 2010: HK$149,700,000) and HK$ 14,500,000 (31 March 2010: HK$14,500,000) in respect of banking facilities granted to certain of its subsidiaries and associates, of which HK$ 42,716,000 (31 March 2010: HK$3,612,000) and HK$ 2,590,000 (31 March 2010: HK$5,567,000) had been utilised as at the end of the reporting period, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is delighted to report a stable performance and positive business development progress for the six months ended 30 September 2010 ("1H FY2011"), a period during which the Group has been facing increasing pressures on its production cost parameters.

During the period, we continued to build on our core competences, economies of scale and financial strength, positioning our businesses competitively and continuing investments for growth opportunities ahead. The Group currently operates four major business segments, including the three research-and-development-based industrial disciplines of electrical and electronic products, motors, and feature plush and wooden toys, as well as the resources development operations as the new growth driver.

Turnover during 1H FY2011 increased 22.4% year on year to HK$966,726,000 from HK$789,853,000 of the corresponding period in the year ended 31 March 2010 ("FY2010"). The increase was substantially driven by strong sales growth in both the electrical and electronic products and motors segments. Overall turnover was accounted for by the segmental external turnover of:

- HK$626,620,000 from the electrical and electronic products segment, representing 64.8% of the consolidated turnover of the Group for 1H FY2011 (FY2010: HK$555,648,000, 70.4%);

- HK$306,153,000 from the motors segment, contributing to 31.7% of the total (FY2010: HK$201,399,000, 25.5%);

- HK$29,955,000 from the feature plush and wooden toys segment, accounting for 3.1% of the total (FY2010: HK$30,961,000, 3.9%); and

- HK$3,998,000 from the resources development segment, or 0.4% of the total (FY2010: HK$1,845,000, 0.2%).

The profit attributable to owners of the Company during 1H FY2011 was HK$79,988,000, decreased by approximately HK$10,442,000 from HK$90,430,000 in the corresponding period last year. The Group's results in 1H FY2011 were mainly derived from manufacturing businesses, the gross profit margins of which were inevitably affected by the escalating manufacturing costs on the mainland. As part of the measures to alleviate the increase in production costs, the Group has strived to increase both the selling prices and sales volume so as to compensate for the decrease in margins.

During 1H FY2011, the electrical and electronic products, motors, and feature plush and wooden toys operations delivered segment profits of HK$102,967,000 (FY2010: HK$101,458,000), HK$5,858,000 (FY2010: HK$14,501,000) and HK$1,599,000 (FY2010: HK$2,740,000), respectively. Given that the Group has been in the administrative process of obtaining the exploitation license for our lead and zinc polymetallic ore mine ("Xian Polymeallic Mine") located in Jiangjuncha, Lantian County, Xian City, Shaanxi Province, the PRC, through Xian Jinshi Mining Company Limited ("Xian Jinshi"), our natural resources development business has not started generating revenue during the period under review. As a result, the resources development business reported a segment loss of HK$10,125,000 during 1H FY2011 (FY2010: loss of HK$10,826,000) owing mainly to continued exploration work.

During the period, the Company has been actively exploring and developing new business opportunities particularly in natural resources development while enhancing the existing businesses. We maintain high confidence in our multi-pillar business strategy, which shall produce a well balanced revenue portfolio to deliver long-term return and growth to shareholders.

OPERATIONAL REVIEW

Electrical and Electronic Products Business Segment

This segment is engaged in the development, design and manufacture of (i) electronic and electrical toys; (ii) electrical appliances with a niche in artificial intelligence (AI) products; and (iii) small home electrical appliances.

Segment external turnover increased 12.8% to HK$626,620,000 (FY2010: HK$555,648,000) whilst the segment profit remained generally at the same level at HK$102,967,000 (FY2010: HK$101,458,000).

Sales of the toys line were comparatively lower in 1H FY2011 as there were fewer orders for blockbuster movie related toy items in the first half. In addition, as the market was primarily dominated by lower-priced items during the first half, the segment's sales were affected.

On the other hand, we are delighted to report that the line of AI vacuum-cleaning robots has made good progress in penetrating further into the European Union and Asian markets. Sales of vacuum cleaner replacement components and accessories also delivered a steady stream of income as the user base continued to grow.

During the period under review, mainland manufacturers generally continued to be under threat from surging material and labour costs and the appreciation of the Renminbi. For the Group, these factors have driven the segment's gross margin down.

Alert to the challenges in the operating environment, management has taken timely measures to mitigate the negative effects through constant efficiency enhancement. The production automation process is ongoing to raise efficiency and production value per worker. The Group also continues to optimise the sourcing and procurement procedure in order to reduce material costs, and at the same time to tighten up production management to minimise wastage. As a long-term measure, the Group consistently scales down underperforming operations and product mixes.

The newly established business of domestic sales of small home electrical appliances under our own house brand in the PRC is making steady progress. The Group will continue to expand the customer base for this business line with a view to increasing its Renminbi income source to alleviate the currency's appreciation pressures.

Further down the road, management will strive to sustain a stable performance for this segment.

Motors Business Segment

After the successful incorporation of the newly acquired productive assets into the Group's motors operation, this business segment has not only expanded in scale but also in capability. It is now capable of developing, designing and manufacturing a wide range of micro-electric motors and related products, ranging from direct-current ("DC"), alternative-current ("AC") motors and brushless motors to motor encoder systems.

Segment external turnover was 52.0% higher year on year at HK$306,153,000 (FY2010: HK$201,399,000), delivering segment profit of HK$5,858,000 (FY2010: HK$14,501,000), down 59.6%.

The sales increase was mainly contributed by a strong inflow of orders from precision instrument and automotive sector clients. After years of effort and investments in business development, research and development, tests and trial production, the segment's client base has been gradually diversifying from a toy segment focus to include higher representation from automotive and office automation industries. Production facilities expansion progressed satisfactorily with capacity increased since the end of last financial year.

Possessing both DC and AC motor production capabilities, and with an increased capacity for moulds, components and parts, the segment is expected to realise synergistic benefits from the previous acquisitions. Business and management reorganisation and the integration of multi-locations for production were ongoing during the period; the integration process is expected to continue throughout this financial year given that the acquisition of the micro-motor encoder system/film and media facilities in Malaysia could only be completed in or around November 2010. The management expects to further improve the segment's performance when the integration is concluded and the synergies from operations are further realised.

Taking into account the signs of continuing, though modest, recovery in major markets, as well as an improved internal operational structure upon completion of the segment's reorganisation, we maintain a positive outlook for the long-term prospects of the motors business.

Feature Plush and Wooden Toys Business Segment

This is a relatively small business segment dedicated to the development, design, manufacture and sales of a broad range of feature plush, wooden and educational toys, both on an original equipment manufacturing basis and under the Group's house brand.

The segment's external turnover slightly decreased during 1H FY2011 by 3.2% year on year to HK$29,955,000 (FY2010: HK$30,961,000) with segment profit also declining 41.6% to HK$1,599,000 (FY2010: HK$2,740,000).

The segment launched its own house brand during the last financial year. The management has continued to gear up sales and promotional efforts, and to broaden the distribution channels, for the house brand of plush toys. Efforts have also been made to explore business opportunities in the U.S. market for the wooden toys line. These efforts have resulted in the acquisition of reputable customers including a world-leading toy vendor in the plush line, expected to account for substantial turnover in future, and a major retail chain store customer in the wooden toys category.

Resources Development Business Segment

The resources development business segment is the strategic platform for the Group to achieve long-term growth and performance. Its formation reflects the management's efforts to constantly evolve and enhance the Group's macro-business structure. By expanding into non-manufacturing businesses, we are able to mitigate the impact felt by our industrial operations as a result of cyclical economic and industry fluctuations.

Currently, the segment operates two main business streams, including (i) the development and manufacture of Indium Tin Oxide ("ITO") targets; and (ii) natural resources development business.

The segment external turnover in 1H FY2011, which was entirely generated from the sale of ITO targets and related products, recorded a 116.7% year-on-year improvement to HK$3,998,000 (FY2010: HK$1,845,000). Mainly attributable to the development and exploration costs with respect to our natural resources development business, the segment reported a loss of HK$10,125,000 (FY2010: loss of HK$10,826,000) during 1H FY2011.

With years of intensive researches into ITO targets, the Group has achieved a leap in the development of the technology of producing ITO targets in terms of purity and density. The Group has decided to turn the current test-production operations into commercial production operations aiming at, as a start, producing small-sized ITO targets for touch-screen and solar-power applications.

Capacity expansion work with respect to production site and machinery and equipment, with an initial investment of about HK$30 million, is ongoing to pave the way to increase production capacity by more than five-fold. The management is confident that the performance of our ITO targets operations will be improved upon completion of the expansion work by mid-2011.

Led by an in-house expert geological team, the Group will continue to forge ahead with its strategy of identifying and investing mainly in potential exploitation projects. The expert team has continued to review and search for natural resources development prospects, and the Group is optimistic about expanding its mining portfolio in the near future.

Xian Polymetallic Mine

Following the approval in May 2010 of the granting of an exploitation license covering an area of approximately 2.2 square kilometers (the "Xian Exploitation Area") to Xian Jinshi, Xian Jinshi has been preparing the required documentation for obtaining the exploitation license with an expected completion date by early 2011.

The Group has been striving to carry out geological exploration work at three strategic locations identified with mining prospects in the area under the exploration license held by Xian Jinshi. In particular, the preliminary exploration work in one of those three locations yielded satisfactory results with polymetal including relatively high gold content ore bodies (礦體) discovered. Further exploration work at the said location and analysis and testing of more ore samples will be carried out to ascertain the geologic features and formation thereof. Exploration work at the other two locations started successively in November 2010.

Xian Ore Processing Plant

To speed up the exploitation work and coincide with the expected timetable of obtaining the exploitation license with respect to Xian Polymetallic Mine, the Group entered into a conditional sale and purchase agreement in September 2010 with a party independent to the Group to acquire the entire interest of an ore processing plant in Xian ("Xian Ore Processing Plant"). Upon completion of the acquisition expected to be in early 2011, the Group will expand the processing capacity of the processing plant and expects that by then our natural resources development business will have commenced generating revenue and cash flow contribution to the Group.

Based on the applicable percentage ratios, as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") in respect of the acquisition of Xian Ore Processing Plant, such acquisition did not constitute a notifiable transaction for the Group.

Shaoguan Polymetallic Mine

The Group has been engaged in the documentation with the relevant party (the "JV Partner") independent to the Group regarding the potential formation of a joint venture ("JV Formation") to explore an area of approximately 18.16 square kilometers ("Wengyuan Exploration Area") located in Xin Jiang Town, Wengyuan County, Shaoguan City, Guangdong Province, the PRC（中國廣東省韶關市翁源縣新江鎮）. The existing exploration license, conferring the rights to explore Wengyuan Exploration Area, expired in June 2010. The JV Partner has renewed the relevant exploration license.

The Group intends to own as to 70% in the subject joint venture company ("JVCo") and the remaining 30% interest therein will be owned by the JV Partner. Subject to the entering into of, inter alia, a joint venture agreement between the Group and the JV Partner, the JVCo shall own all relevant licenses with respect to Wengyuan Exploration Area and an existing iron ore processing plant. It is planned that the JVCo, after establishment, will apply for an exploitation license with respect to an exploitation area of approximately 4.96 square kilometers within Wengyuan Exploration Area.

Based on the terms currently envisaged with respect to the JV Formation, such transaction, if materialised, will not be classified as a notifiable transaction for the Group.

OUTLOOK

The Group's sustainable performance is testament to the actions of our management team to constantly develop and enhance existing businesses in order to generate a steady income and earnings flow to support our plans for exploring new growth opportunities.

With a well established industrial set-up, the Group is leveraging its scale and research-and-development edge to the furtherance of the electrical and electronic product manufacturing business. Cost control, sourcing and procurement procedure optimisation and automation are ongoing efforts to sustain the Group's competitive position. Looking ahead, the performance of the toys line will continue to be constrained by the launch schedule of movies and market demand, whilst the order book for vacuum-cleaning robots remains strong in the second half. Overall, we maintain a conservative outlook for the segment's performance during the remainder of the year. Our goal is to sustain a stable business amidst market adversities.

While the motors segment expects the second half to remain challenging as it moves forward with the reorganisation program, it looks forward to brighter prospects in the longer term as the synergistic benefits from the acquisitions and expansion begin to materialise.

We believe our core competences of management vision, quality, cost and technical advances will lead the way to long-term growth and profitability of the Group by building on our manufacturing businesses and diversifying into appropriate non-manufacturing businesses. With years of efforts, we have laid down important foundations to turn the new growth driver into long-term growth momentum for the Group. To this end, the resources development segment is expected to contribute to overall revenue in the coming financial years.

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 reporting period, the Group's aggregated time deposits and cash and bank balances amounted to HK$264 million (31 March 2010: HK$360 million). In addition, the Group currently maintains aggregate composite banking facilities of approximately HK$220 million (31 March 2010: HK$169 million) with various banks, of which HK$98 million (31 March 2010: HK$72 million) has been utilised as at 30 September 2010.

The Group continues to maintain healthy financial position. At 30 September 2010, the current ratio (current assets divided by current liabilities) was 1.94 times (31 March 2010: 2.5 times) and the gearing ratio (total interest-bearing bank borrowings divided by total equity) was 10% (31 March 2010: 8%).

CLOSURE OF REGISTER OF MEMBERS

The Company's share register will be closed between Tuesday, 14 December 2010 to Friday, 17 December 2010 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the proposed interim dividend for the six months ended 30 September 2010, all duly completed transfer forms accompanied by the relevant share certificates 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 not later than 4:00 p.m. on Monday, 13 December 2010.

INTERIM DIVIDEND

On 26 November 2010, the Board resolved to declare the payment of an interim dividend of HK4.5 cents per ordinary share in respect of the six months ended 30 September 2010, to shareholders registered on the register of members on Friday, 17 December 2010, resulting in an appropriation of approximately HK$18,844,000. The above-mentioned interim dividend will be payable on or before 6 January 2011.

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 to the Listing Rules of the Stock Exchange throughout the six months ended 30 September 2010 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 separate 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 of 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 conductive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code on terms no less exacting than the required standard set out in the Model Code regarding securities transactions by the directors. Having made specific enquiry of the Company's directors, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2010.

AUDIT COMMITTEE

The Company has established an audit committee and its members comprised Sun Kwai Yu (Chairman of the committee), Chung Chi Ping, Roy and Wong Chi Wai, the three independent non-executive directors, and the Chairman of the audit committee has the required appropriate professional financial qualifications and experience.

The audit committee of the Company has 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 unaudited condensed consolidated financial statements for the six months ended 30 September 2010.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is available for viewing on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at www.kinyat.com.hk. An interim report for the six months ended 30 September 2010 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board consists of four executive directors, namely Mr. Cheng Chor Kit, Mr. Fung Wah Cheong, Vincent, Mr. Liu Tat Luen and Mr. Chui Pak Shing, and three independent non-executive directors, namely Dr. Chung Chi Ping, Roy *JP*, Mr. Wong Chi Wai and Ms. Sun Kwai Yu.

On behalf of the Board
Cheng Chor Kit
Chairman and Chief Executive Officer

Hong Kong, 26 November 2010