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 2011

The Board of Directors (the "Board") would like 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 2011 together with the comparative figures for the corresponding period in 2010. This interim results 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	
	Notes	**2011** ***HK\$'000***	2010 *HK\$'000*
REVENUE	*3*	**888,977**	966,726
Cost of sales		**(814,771)**	(792,133)
Gross profit		**74,206**	174,593
Other income and gains, net	*3*	**9,277**	15,706
Selling and distribution expenses		**(22,475)**	(26,343)
Administrative expenses		**(77,587)**	(69,206)
Finance costs		**(1,928)**	(399)
Share of profits and losses of an associate		**–**	(127)
(LOSS)/PROFIT BEFORE TAX	*4*	**(18,507)**	94,224
Income tax expense	*5*	**(5,206)**	(16,315)
(LOSS)/PROFIT FOR THE PERIOD		**(23,713)**	77,909
Attributable to:			
Owners of the Company		**(21,087)**	79,988
Non-controlling interests		**(2,626)**	(2,079)
		(23,713)	77,909
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*7*		
Basic		**HK(5.04) cents**	HK19.13 cents
Diluted		**HK(5.03) cents**	HK19.10 cents

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
(LOSS)/PROFIT FOR THE PERIOD	**(23,713)**	77,909
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
Exchange differences on translation of foreign operations	**–**	24
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(23,713)**	77,933
Attributable to:		
Owners of the Company	**(21,087)**	80,004
Non-controlling interests	**(2,626)**	(2,071)
	(23,713)	77,933

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 September 2011 *HK$'000*	Audited 31 March 2011 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**660,092**	618,610
Investment properties		**42,169**	42,169
Prepaid land lease payments		**21,997**	14,147
Goodwill		**4,650**	4,650
Exploration rights and assets		**17,499**	–
Interests in associates		**(4,966)**	(7,439)
Deferred development costs		**8,049**	6,470
Deposits	*9*	**17,470**	38,735
Total non-current assets		**766,960**	717,342
CURRENT ASSETS			
Inventories		**359,330**	357,577
Accounts receivable	*8*	**253,670**	185,742
Prepayments and deposits	*9*	**120,612**	84,838
Financial assets at fair value through profit or loss		**13,527**	17,193
Time deposits		**53,176**	86,803
Cash and bank balances		**163,978**	127,724
Total current assets		**964,293**	859,877
CURRENT LIABILITIES			
Accounts and bills payable, accrued liabilities and other payables	*10*	**319,258**	332,405
Interest-bearing bank borrowings	*11*	**195,261**	171,419
Tax payable		**17,284**	23,294
Amounts due to non-controlling shareholders		**17,450**	–
Total current liabilities		**549,253**	527,118
NET CURRENT ASSETS		**415,040**	332,759
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,182,000**	1,050,101

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

	Note	**Unaudited 30 September 2011** *HK$'000*	Audited 31 March 2011 *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,182,000**	1,050,101
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**13,930**	14,334
Interest-bearing bank borrowings	*11*	**174,423**	–
Total non-current liabilities		**188,353**	14,334
NET ASSETS		**993,647**	1,035,767
EQUITY			
Equity attributable to owners of the Company			
Issued share capital		**41,875**	41,875
Reserves		**963,029**	1,002,535
		1,004,904	1,044,410
Non-controlling interests		**(11,257)**	(8,643)
TOTAL EQUITY		**993,647**	1,035,767

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, investment properties and financial assets at fair value through profit or loss which have been 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 2011 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 2011.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time-Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	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 resources development segment consists of the manufacture and sale of materials primarily for use in liquid crystal display and mine exploration; and

(d) other manufacturing activities segment consists of the manufacture and sale of feature plush, wooden toys and encoder film.

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 2011 and 2010.

	Unaudited for the six months ended 30 September											
	Electrical and electronic products		Motors		Resources development		Other manufacturing activities		Eliminations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	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	**534,025**	626,620	**302,673**	306,153	**4,351**	3,998	**47,928**	29,955	**–**	–	**888,977**	966,726
Intersegment sales	**1,165**	1,406	**8,382**	31,937	**–**	–	**824**	–	**(10,371)**	(33,343)	**–**	–
Other income and gains, net	**2,991**	4,022	**9,467**	8,739	**4**	45	**162**	494	**–**	–	**12,624**	13,300
Total	**538,181**	632,048	**320,522**	346,829	**4,355**	4,043	**48,914**	30,449	**(10,371)**	(33,343)	**901,601**	980,026
Segment results	**43,541**	102,967	**(26,467)**	5,858	**(21,691)**	(10,125)	**510**	1,599	**–**	–	**(4,107)**	100,299
Interest and unallocated gains											**3,192**	2,405
Unallocated expenses											**(15,664)**	(7,954)
Finance costs											**(1,928)**	(399)
Share of profits and losses of an associate											**–**	(127)
(Loss)/Profit before tax											**(18,507)**	94,224

(b) *Geographical information*

	Unaudited for the six months ended 30 September									
	United States of America		Europe		Asia		Others		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	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	**218,014**	287,087	**199,899**	223,276	**397,316**	377,152	**73,748**	79,211	**888,977**	966,726

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	
	2011	2010
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of:		
Electrical and electronic products	**534,025**	626,620
Motors	**302,673**	306,153
Materials from resources development	**4,351**	3,998
Other manufacturing activities	**47,928**	29,955
	888,977	966,726
Other income and gains, net		
Bank interest income	**1,138**	548
Gross rental income	**2,802**	2,765
Sale of scrap materials	**10,592**	9,861
Fair value loss on financial assets at fair value through profit and loss, net	**(6,538)**	–
Others	**1,283**	2,532
	9,277	15,706

4. (LOSS)/PROFIT BEFORE TAX

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

	Unaudited for the six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Depreciation	**39,526**	35,839
Amortisation of prepaid land lease payments	**224**	176
Amortisation of deferred development costs	**2,676**	2,500
Loss on disposal of items of property, plant and equipment, net	**17**	794
Fair value loss on financial assets at fair value through profit and loss, net	**6,538**	–
Bank interest income	**(1,138)**	(548)

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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.

	Unaudited for the six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Current period provision:		
Hong Kong	**3,446**	9,086
Elsewhere	**2,164**	7,007
Deferred	**(404)**	222
Total tax charge for the period	**5,206**	16,315

6. DIVIDENDS

	Unaudited for the six months ended 30 September **2011** *HK$'000*	2010 *HK$'000*
Dividends paid during the period		
Final in respect of the financial year ended 31 March 2011 – HK4.5 cents per ordinary share (2010: final dividend of HK8 cents per ordinary share, in respect of the financial year ended 31 March 2010)	**18,844**	33,501
Proposed interim dividend		
Interim – Nil (2010: HK4.5 cents per ordinary share)	**–**	18,844

The directors resolve not to pay an interim dividend for the six months ended 30 September 2011.

7. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic (loss)/earnings per share amount is based on the loss for the period attributable to equity holders of the Company of HK$21,087,000 (2010: a profit of HK$79,988,000) and the weighted average of 418,748,000 (2010: 418,059,475) ordinary shares in issue during the period.

The calculation of the diluted (loss)/earnings per share amount is based on the loss for the period attributable to equity holders of the Company of HK$21,087,000 (2010: a profit of HK$79,988,000) and 418,866,434 (2010: 418,787,897) 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.

7. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY *(Continued)*

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

	Unaudited for the six months ended 30 September	
	2011	2010
Weighted average number of ordinary shares used in calculating basic (loss)/earnings per share	**418,748,000**	418,059,475
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the period	**118,434**	728,422
Weighted average number of ordinary shares used in calculating diluted (loss)/earnings per share	**418,866,434**	418,787,897

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 imposed tightened credit control 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 2011	Audited 31 March 2011
	HK$'000	*HK$'000*
0-30 days	**155,197**	135,636
31-60 days	**73,453**	31,383
61-90 days	**17,858**	15,194
Over 90 days	**8,010**	4,382
	254,518	186,595
Less: Impairment allowance	**(848)**	(853)
	253,670	185,742

The substantial increase in the accounts receivables is owing to the seasonal factor where September (30 September 2010: HK$278,886,000) is the high season and March (31 March 2010: HK$132,932,000) is the low season. The Group considered such balances are normal and healthy.

9. PREPAYMENTS AND DEPOSITS

	Unaudited 30 September 2011	Audited 31 March 2011
	HK$'000	*HK$'000*
Deposits for mining projects	**17,470**	35,120
Deposits for land lease payment	**–**	3,615
Prepayments	**118,566**	82,502
Other deposits	**1,599**	1,977
Prepaid land lease payments	**447**	359
	138,082	123,573
Less: Current portion	**(120,612)**	(84,838)
Non-current portion	**17,470**	38,735

10. 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 2011 *HK$'000*	Audited 31 March 2011 *HK$'000*
0-30 days	**60,198**	106,611
31-60 days	**63,440**	41,846
61-90 days	**29,043**	22,136
Over 90 days	**10,049**	9,190
Accounts and bills payable	**162,730**	179,783
Accrued liabilities	**129,275**	123,282
Other payables	**27,253**	29,340
	319,258	332,405

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 2011, included in other payables, an amount of RMB5,200,000 (approximately HK$6,265,000) (31 March 2011: RMB5,200,000 (approximately HK$6,265,000)), 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.

11. INTEREST-BEARING BANK BORROWINGS

	Notes	**Unaudited 30 September 2011 *HK$'000***	Audited 31 March 2011 *HK$'000*
Current			
Bank loan – unsecured	*(i)*	**147,809**	171,419
Bank loan – unsecured	*(ii)*	**47,452**	–
		195,261	171,419
Non-current			
Bank loan – unsecured	*(ii)*	**174,423**	–
		369,684	171,419

11. INTEREST-BEARING BANK BORROWINGS *(Continued)*

(i) Unsecured bank loans carry interest at Hong Kong Interbank Offered Rate ("HIBOR") plus a spread, ranging from 1% to 2.5% (31 March 2011: 1%) per annum and are repayable on demand.

(ii) Unsecured bank loans carry interest at HIBOR plus a spread, ranging from 1% to 2% per annum and are repayable by instalments over a period from one to five years.

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.

12. 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$50,602,000 (31 March 2011: HK$94,190,000).

(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 approximately HK$35,754,000 (31 March 2011: HK$50,426,000) and did not have any contracted for capital commitment in respect of land use right (31 March 2011: HK$4,549,000).

(iii) At the end of the reporting period, the Group had contracted for capital commitments in respect of the investment in mining projects of approximately HK$25,904,000 (31 March 2011: HK$25,904,000).

The Company did not have any other significant commitments at the end of the reporting period (31 March 2011: Nil).

13. CONTINGENT LIABILITIES

At the end of the reporting period, the Company had provided guarantees of HK$260,000,000 (31 March 2011: HK$202,000,000) in respect of banking facilities granted to certain of its subsidiaries, of which HK$147,809,000 (31 March 2011: HK$132,877,000) had been utilised as at the end of the reporting period.

At 31 March 2011, the Company had provided guarantees of HK$14,500,000 in respect of banking facilities granted to certain of its associates, of which HK$2,740,000 had been utilised as at 31 March 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's business is built on a multi-pillar platform comprising four major segments, including the three research-and-development-based manufacturing disciplines of electrical and electronic products, motors and other manufacturing activities, as well as the resources development operations as an additional source of growth momentum.

The year ending 31 March 2012 ("FY2012") has started unsatisfactorily for our manufacturing businesses, which have been affected by the continued weakness in the major export markets, particularly when the world economy is vulnerable amidst the unconventional quantitative easing policy and the lingering sovereign debt crisis in certain developed countries. Going through a very challenging period, we experienced the combined forces of restrained demand and inflationary pressures on production costs. The Group hence reported a loss attributable to owners of the Company of HK$21,087,000 during the six months ended 30 September 2011 ("1H FY2012"), the first loss on record, compared with an attributable profit of HK$79,988,000 for the six months ended 30 September 2010 ("1H FY2011").

The loss was mainly attributable to the decline in the Group's overall gross profit margin, arising primarily from a decrease in the contribution from the manufacturing businesses amidst a decrease in their segment turnover coupled with an increase in operating costs as a result of the appreciation of the Renminbi, rising raw material prices and the increase in statutory minimum wages in the People's Republic of China (the "PRC") during the period. At the same time, continued investments in strategic growth initiatives with respect to our materials and natural resources development businesses, which were in their investment mode, have resulted in higher operating expenses being incurred for the Group.

Despite the challenges presented by the market and the operating environment, our solid business fundamentals and balance sheet strengths have positioned the Group well to manage through the short-term difficulties. Furthermore, we are seeing the benefits from our ongoing initiatives to build and manage a diverse business and manufacturing platform. The Board is confident that our resilient business will provide strong competitive leverage for the Group.

During 1H FY2012, the Group's turnover decreased 8% year on year to HK$888,977,000 (1H FY2011: HK$966,726,000) as the electrical and electronic products segment experienced order contractions in the midst of weak market sentiments. The total turnover was accounted for by the segmental external turnover of:

- HK$534,025,000 from the electrical and electronic products segment, contributing to 60.1% of the Group's consolidated turnover for 1H FY2012 (1H FY2011: HK$626,620,000, 64.8%);

- HK$302,673,000 from the motors segment, accounting for 34.0% of the total (1H FY2011: HK$306,153,000, 31.7%);

- HK$47,928,000 from the other manufacturing activities, or 5.4% of the total (1H FY2011: HK$29,955,000, 3.1%); and

- HK$4,351,000 from the resources development segment, representing 0.5% of the total (1H FY2011: HK$3,998,000, 0.4%).

During 1H FY2012, the electrical and electronic products segment and other manufacturing activities reported segment profits of HK$43,541,000 (1H FY2011: HK$102,967,000) and HK$510,000 (1H FY2011: HK$1,599,000), respectively, while the motors segment incurred a segment loss of HK$26,467,000 (1H FY2011: profit of $5,858,000). The resources development business recorded a segment loss of HK$21,691,000 during 1H FY2012 (1H FY2011: loss of HK$10,125,000) mainly due to expenses incurred for exploration activities and related investments.

With a sound financial position and a portfolio of robust businesses which are well placed over the medium-to-long-term, we are confident that the Group is well-positioned to rebound from the short-term adversities.

OPERATIONAL REVIEW

Electrical and Electronic Products Business Segment

The 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 decreased 14.8% to HK$534,025,000 (1H FY2011: HK$626,620,000) with the easing of orders for the AI vacuum-cleaning robots and a decline in the sales of toy items. The segment recorded a lower contribution to profit of HK$43,541,000 (1H FY2011: HK$102,967,000) due to the impact of the surges in labour wages and material costs, aggravated by the appreciation of the Renminbi. This caused the segment's profit margin to decline year on year.

As a PRC-based manufacturer, the Group is facing challenges on a number of fronts and is using a number of strategies to respond.

Continuing to adapt our business to changing market conditions, the segment started during the period to produce nursery consumer products which are less vulnerable to economic cycles. The segment will continue to diversify its product line into new areas, including consumer electronic products in the sports sector and certain household products such as heating pads, in order to better utilize its existing production facilities.

In line with the expansion of the product offerings, efforts have been expended on the further broadening of the segment's customer base.

On the cost front, management has continued to maintain stringent control over the operating expenses and has taken steps to restructure the headcount. These efforts, supplemented by the streamlining of the production lines, are expected to exert a positive impact on the Group's cost efficiency.

A new model of robotic vacuum cleaner was launched during the first half of FY2012. With enhanced functions, the new model has become a strong addition to the collection of popular home robots, receiving a welcoming market response. The segment is confident about the order book for this new product as its marketing rollout is stepped up further in the second half.

As emerging macroeconomic and structural issues continue to pose threats to the mainland manufacturing sector, driving out less well-established counterparts, the Group has stood out amongst its competitors as a reliable manufacturer that consistently delivers quality and value.

Our reliable track record as a supplier of choice for many multinational brands will support our new business development initiatives going forward. We are confident that as the macroeconomic environment recovers, the Group is better equipped and financially prepared to take advantage of longer-term market trends and new business opportunities, and is likely to emerge as a winner in our field.

The second half of FY2012 will continue to be challenged by macro difficulties. The segment will remain committed to maintaining a stable performance in order to fulfill its long-term financial goals of bringing steady cash flow for the Group.

Motors Business Segment

The motors segment develops, designs and manufactures a wide range of micro-electric motors and related products, ranging from direct-current (“DC”), alternating-current (“AC”) motors and brushless motors to motor encoder systems.

During 1H FY2012, segment external turnover remained stable at HK$302,673,000 (1H FY2011: HK$306,153,000) on the back of a broadened client base. The segment recorded an interim loss of HK$26,467,000 (1H FY2011: profit of HK$5,858,000) for the first time.

The segment faced multiple challenges during the period: intensified competition putting a strain on selling prices, escalating labour and material costs eroding profit margin, and the appreciation of the Renminbi adding to the cost pressure.

In an attempt to counteract the tough operational environment, the segment took several actions during the first half, including putting more efforts into enhancing the efficiency of production lines and upgrading automation. The product mix has been further broadened to incorporate more higher value-added items. Furthermore, plans were underway to consolidate the segment’s facilities as part of its cost reduction initiatives.

In the context of the current economic conditions, the segment's sales have exhibited resilience on the back of a broad customer base covering toy, personal care, precision instrument and automotive sector clients. To further its research and development capability, the segment also plans to establish a new research and development center in Shenzhen and recruit more engineers to its team. After years of consistent effort, certain first-tier players in the automotive and precision instrument sectors have responded positively to our products.

The sales performance of the segment also demonstrates that the segment's business is built and managed for the long term. Equipped with both DC and AC motor production capabilities, and complete with one-stop capacity for moulds, components and parts, and micro-motor encoder systems, the segment is competitively positioned to improve its performance as its business evolves in response to macro trends.

Our outlook for the long-term prospects of the motors business remains positive. Business development efforts backed by research and development into new end-user applications will be sustained to support the segment's long-term business growth.

Other Manufacturing Activities

This is a relatively small business segment specialising in the development, design, manufacture and sales of a range of feature plush, wooden and educational toys, both on an original equipment manufacturing basis and under the Group's house brand as well as encoder film manufacturing business in Malaysia.

The segment's external turnover increased during 1H FY2012 by 60.0% year on year to HK$47,928,000 (1H FY2011: HK$29,955,000) with segment profit decreasing 68.1% to HK$510,000 (1H FY2011: HK$1,599,000).

The economic downturn has had more severe impact on the toy-focused feature plush and wooden product business line. The wooden product line has embarked on efforts to engage more non-toy clients with deliveries of these new wooden items beginning during the period and expected to continue into the second half.

The Malaysia factory continued to operate on a small scale with marketing efforts expedited to actively solicit new business and to ensure that its revenue goals are achieved.

Resources Development Business Segment

The resources development business segment continued to serve as the strategic platform for the Group to achieve long-term growth and returns, and also as an important part of our long-term strategy to build stability into our revenue base.

During the period under review, the segment was engaged in (i) materials development business – the development, manufacture and sale of Indium Tin Oxide ("ITO") Targets; and (ii) natural resources development business with respect to non-ferrous metals

The segment was still in its investment mode, with resources being put into the expansion of ITO Target capability and capacity, as well as continued investments in strategic growth initiatives with respect to the natural resources development business. These activities have inevitably led to higher operating expenses as compared with the previous corresponding period.

The segment's external turnover in 1H FY2012 recorded an 8.8% year-on-year increase to HK$4,351,000 (1H FY2011: HK$3,998,000) and a loss of HK$21,691,000 (1H FY2011: loss of HK$10,125,000).

We are pleased to report solid moves on the segment's geographical diversification from the PRC – the rollout of natural resources business activities in the Lao People's Democratic Republic ("Lao PDR"). The segment has strived to expedite the process of obtaining exploitation licences for the existing mines, exploitation projects are targeted to commence as soon as practicable, bringing in earnings contributions to the Group. The segment is also looking at opportunities diligently in an effort to add new projects to its portfolio in order to increase overall prospective mineral reserves and also contributions to the Group.

While we are building up a foundation for this segment, the management of the Company remains confident about the prospects of the segment and its potential for contributing to the Group's revenue and profitability in the near future.

Materials Development Business

The setting up of the tailor-made new ITO Powder and Target production lines at the new facilities built within the Group's Shaoguan production base has been largely completed, with all major equipment installed during the period under review. Equipped with advanced and improved designs and production technologies, the new facilities have enabled the Group to become one of the first large-scale manufacturers in the PRC with capabilities in high standard Function Material Targets and nano-films, fulfilling a currently unsatisfied need in the market. The new production lines commenced sintering process tests and trial run in November 2011, achieving encouraging results.

In line with the ramping up of production scale, the business has taken steps to strengthen its sales team so as to solicit new business for its more advanced product offerings, both from overseas and in the PRC. The sales force will form part of the business's effort to build its home-grown team aiming at providing holistic solutions incorporating technology, sales and after-sales services, empowered to implement and support critical missions in the ITO Target field. The sales team has started assessing and engaging potential customers to kick-start the sample product testing process.

Collaborations have also been ongoing with academia, including a university in Hong Kong, in the area of material science in an effort to keep us abreast of the latest industry developments. Efforts are also consistently put into perfecting the ever-improving quality and standards of our products.

Having achieved technological breakthroughs and with proprietary new production lines tested pending full commissioning around the beginning of the next financial year, the business is set for a new phase of high growth in the near term.

Natural Resources Development Business

During the period under review, the business was engaged mainly in exploration activities in the polymetallic ore mines in Xian City and the Shaoguan City, the PRC. The Group is also pleased to report positive results with the expansion of its natural resources development business into Lao PDR, the first diversification move of this business outside the PRC.

Exploration

During the period under review, geological exploration works were undertaken in an exploration area of 27 square kilometres (the "Jinshi Exploration Area") in relation to the lead and zinc polymetallic ore mine located in Jiangjuncha, Lantian County, Xian City, Shaanxi Province, the PRC (the "Xian Polymetallic Mine") and an area of 18 square kilometres (the "Wengyuan Exploration Area") in relation to a lead, zinc and iron ore mine located in Xin Jiang Town, Wengyuan County, Shaoguan City, Guangdong Province, the PRC (the "Wengyuan Polymetallic Mine").

As a result of the exploration work carried out in three additional locations in the Jinshi Exploration Area, we have obtained an ample amount of geological information and leads so far as the required work for renewal of the exploration licence is concerned. Going forward, exploration work will be invested in, in tandem with the progress of obtaining the exploitation licence with respect to the Jinshi Exploration Area.

The acquisition of the Wengyuan Polymetallic Mine was completed in July 2011, and the Group has since successfully devised an exploration plan thereto after thorough investigations. Given that sufficient exploration works have been carried out in the Wengyuan Polymetallic Mine before the acquisition, the Group will focus its efforts on obtaining exploitation rights for an area of 5 square kilometres within the Wengyuan Exploration Area.

Plans to diversify the mining portfolio moved smoothly forward following the first advance into Lao PDR. Through a 70%-owned subsidiary, Ordovician Mining (Hong Kong) Limited ("OMHK"), the Group entered into a prospecting and exploration agreement ("P&E Agreement") with the Government of Lao PDR on 3 November 2011 for an adjusted tenement area of 324 square kilometres in Saiyabouly Province (the "Saiyabouly Tenement Area") in the country. Pursuant to the P&E Agreement, OMHK has been granted, inter alia, the sole rights to search for, prospect and explore for copper and iron and their respective associated minerals in the Saiyabouly Tenement Area.

The Saiyabouly Tenement Area currently has limited geological information available. However, based on the results of the geological investigation carried out by our in-house expert geological team with respect to outcropping and mineralisation therein, we were satisfied with the potential of the project. Following the P&E Agreement, OMHK will submit all required documentations to the Government of Lao PDR in order to obtain the relevant exploration licence. OMHK expects to commence prospecting work in the Saiyabouly Tenement Area in due course to assess the type and amount of minerals associated therein.

Together with the existing exploration projects in Xian and Wengyuan, the PRC, the addition of the project in Lao PDR has increased our portfolio of exploration projects to cover total tenement areas of 369 square kilometres associated with, inter alia, copper, iron, lead, zinc and silver.

Given the current sizeable area of exploration projects on hand, the Group's emphasis will be skewed towards projects in more advanced geological development stages in order to accelerate the development of the business and contributions from the mining projects.

Exploitation

Management resources have been focused on preparation works in relation to the obtaining of the relevant exploitation licences for an area of 2.2 square kilometres (exclusive of the Jinshi Exploration Area) for the Xian Polymetallic Mine and 5 square kilometres within the Wengyuan Exploration Area for the Wengyuan Polymetallic Mine.

The obtaining of these exploitation licences for both projects has been progressing at a moderate pace so far. Nevertheless, the progress with respect to the obtaining of the exploitation licences for the Xian Polymetallic Mine is in a more advanced stage. With more information and requirements fed back, we are determined to fulfill all necessary requirements to obtain the licences as soon as practicable.

Ore Processing

The acquisition of the ore processing plant near the Xian Polymetallic Mine is pending on the obtaining of the proper licence by the vendor from the relevant regulatory authorities in the PRC. Given the moderate progress of the vendor in obtaining the required licence for its 250 metric tonnes per day facilities, we have worked on alternative ore processing arrangements for Xian Polymetallic Mine to assure appropriate processing support.

The total iron ore processing capability of the Wengyuan Polymetallic Mine is around 500 metric tonnes per day. The Group plan to upgrade the facilities in an effort to enhance their efficiency to support the expected mining activities there in the coming future.

Feasibility studies have been in their final stage in relation to the establishment by the Group, as a majority shareholder, of an independent antimony ore processing plant with a capacity of 300 metric tonnes per day in Dushan County, Guizhou Province, the PRC. The independent ore processing plant is the first step in various operations along the value chain of natural resources development with respect to antimony in Guizhou. The Group expects to finalize the negotiations and arrangements with the relevant parties in due course.

Refining and Downstream Processing

The feasibility studies, negotiations and arrangements with the relevant parties with respect to the owning of a majority equity interest by the Group in a smelting plant with an annual capacity of producing 2,000 to 3,000 metric tonnes of ingots and the establishment of a medium-sized downstream processing plant in Dushan County, Guizhou Province, the PRC, are progressing as planned.

The Group will progress diligently in achieving the aim of capturing the value-adding prospects of different key sectors in the natural resources industry, including but not limited to prospecting, exploration, exploitation, ore processing, refining and downstream processing.

OUTLOOK

The continued fallout from the ongoing financial turmoil and the economic downturn have weighed on the Group's performance and put our management capabilities to the test. However, despite facing a weaker outlook, our financial strength and operations are in good shape. We are competitively positioned in the face of severe headwinds from the financial turmoil.

Our manufacturing segments will continue to be an important part of the Group. As a leading industry player, we will continue to leverage our core competencies, including economies of scale, a diverse production platform, and our quality and technical lead, to operate effectively in a macro environment shaped by lean demand and keen competition. Most importantly, we are a company with over three decades of user-oriented innovation. The Board has confidence in the ongoing development of our manufacturing businesses.

The Group's financial resilience amidst global market changes and operational challenges demonstrates the success of our diverse business strategy. Our expansion into non-manufacturing businesses, including materials and natural resources development activities, has exhibited initial results as solid foundations have been laid down for the various operations.

We will continue to execute our defined strategy to grow our ITO Target business. As such, we will capitalise on our technical know-how by setting up completely new production lines with advanced technological standards to meet the expected robust demand. On natural resources development, we will continue to develop the existing projects, while putting future development emphasis on brownfield projects expected to make a contribution to the Group in the short-to-medium term.

We hold strong confidence in the promising prospects of the non-manufacturing segment as a future growth driver for the Group.

In closing, we are most thankful to our shareholders, the dedicated management and staff team, our clients and all our business partners. With your support, we will emerge from the current difficult economic times as an even stronger company.

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$217 million (31 March 2011: HK$215 million). In addition, the Group currently maintains aggregate composite banking facilities of approximately HK$451 million (31 March 2011: HK$210 million) with various banks, of which HK$370 million (31 March 2011: HK$171 million) has been utilised as at 30 September 2011.

The Group continues to maintain healthy financial position. At 30 September 2011, the current ratio (current assets divided by current liabilities) was 1.8 times (31 March 2011: 1.6 times) and the gearing ratio (total interest-bearing bank borrowings divided by total equity) was 37.2% (31 March 2011: 16.5%).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2011, the Group employed over 11,000 full-time employees, of which less than 100 of them were stationed in Hong Kong headquarters with the remaining working in PRC and Malaysia.

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 PRC, the Group provides its employee's 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 staff with outstanding performance. At the discretion of the Board, the Group's employees will be granted the options, of which the number of options granted is determined by individual performance and level of responsibilities.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2011 (30 September 2010: HK4.5 cents per ordinary share).

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 Board, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2011 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, Mr. 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.

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 2011.

AUDIT COMMITTEE

The Company has established an audit committee and its members comprised Ms. Sun Kwai Yu (Chairperson of the committee), Prof. Chung Chi Ping, Roy *JP* and Mr. Wong Chi Wai, the three independent non-executive directors, and the Chairperson 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 2011.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT 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 2011 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.

By order of the Board
Kin Yat Holdings Limited
Cheng Chor Kit
Chairman and Chief Executive Officer

Hong Kong, 29 November 2011

As at the date of this announcement, the Board comprises 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 Prof. Chung Chi Ping, Roy JP, Mr. Wong Chi Wai and Ms. Sun Kwai Yu.