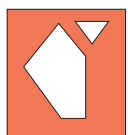


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**KIN YAT HOLDINGS LIMITED**

**建溢集團有限公司**

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 638)

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2012**

The Board of Directors (the “Board”) of Kin Yat Holdings Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2012 together with the comparative figures for the previous corresponding year as follows:

### **CONSOLIDATED INCOME STATEMENT**

*Year ended 31 March 2012*

		<b>2012</b>	<b>2011</b>
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>REVENUE</b>	<b>3</b>	<b>1,620,460</b>	1,722,788
Cost of sales		<b>(1,460,434)</b>	(1,439,827)
Gross profit		<b>160,026</b>	282,961
Other income and gains, net	<b>3</b>	<b>31,178</b>	31,719
Selling and distribution expenses		<b>(41,258)</b>	(44,900)
Administrative expenses		<b>(163,453)</b>	(130,064)
Finance costs		<b>(5,637)</b>	(1,052)
Share of profits and losses of associates		<b>–</b>	(135)
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>4</b>	<b>(19,144)</b>	138,529
Income tax expense	<b>5</b>	<b>(15,519)</b>	(28,072)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>(34,663)</b>	110,457
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>(28,351)</b>	114,381
Non-controlling interests		<b>(6,312)</b>	(3,924)
		<b>(34,663)</b>	110,457
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	<b>7</b>		
Basic		<b>(HK6.77) cents</b>	HK27.34 cents
Diluted		<b>(HK6.77) cents</b>	HK27.29 cents

Details of the dividends are disclosed in note 6.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2012

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>(34,663)</b>	110,457
<b>OTHER COMPREHENSIVE INCOME:</b>		
Revaluation surplus, net	<b>21,653</b>	16,082
Deferred tax debited to asset revaluation reserve	<u><b>(3,537)</b></u>	<u>(2,251)</u>
	<b>18,116</b>	13,831
Exchange differences on translation of foreign operations	<u><b>11</b></u>	<u>32,113</u>
<b>TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE YEAR</b>	<u><u><b>(16,536)</b></u></u>	<u><u>156,401</u></u>
<b>ATTRIBUTABLE TO:</b>		
Owners of the Company	<b>(10,009)</b>	160,705
Non-controlling interests	<u><b>(6,527)</b></u>	<u>(4,304)</u>
	<u><u><b>(16,536)</b></u></u>	<u><u>156,401</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2012

		2012	2011
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		703,032	618,610
Investment properties		–	42,169
Prepaid land lease payments		22,852	14,147
Goodwill		4,650	4,650
Interests in associates		(7,833)	(7,439)
Intangible assets		26,366	6,470
Deposits	10	19,596	38,735
Total non-current assets		768,663	717,342
<b>CURRENT ASSETS</b>			
Assets classified as held for sale	8	50,482	–
Inventories		338,180	357,577
Accounts receivable	9	217,137	185,742
Prepayments and deposits	10	77,977	84,838
Financial assets at fair value through profit or loss		11,800	17,193
Time deposits		79,775	86,803
Cash and bank balances		159,589	127,724
Total current assets		934,940	859,877
<b>CURRENT LIABILITIES</b>			
Accounts and bills payable, accrued liabilities and other payables	11	335,764	332,405
Interest-bearing bank borrowings	12	153,478	171,419
Amounts due to non-controlling shareholders		17,450	–
Tax payable		22,095	23,294
Total current liabilities		528,787	527,118
<b>NET CURRENT ASSETS</b>		406,153	332,759
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,174,816	1,050,101

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

31 March 2012

		<b>2012</b>	2011
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,174,816</b>	1,050,101
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	12	<b>154,038</b>	–
Deferred tax liabilities		<b>19,535</b>	14,334
Total non-current liabilities		<b>173,573</b>	14,334
<b>NET ASSETS</b>		<b>1,001,243</b>	1,035,767
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued share capital		<b>41,875</b>	41,875
Reserves		<b>974,526</b>	1,002,535
		<b>1,016,401</b>	1,044,410
<b>Non-controlling interests</b>		<b>(15,158)</b>	(8,643)
<b>TOTAL EQUITY</b>		<b>1,001,243</b>	1,035,767

*NOTES:*

**1.1 BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for land and buildings, investment properties, assets classified as held for sale and financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in consolidated income statement. The Group’s share of components previously recognised in other comprehensive income is reclassified to consolidated income statement or retained profits, as appropriate.

## 1.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
<i>Improvements to HKFRSs 2010</i>	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and the amendment to HKAS 1 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

**(a)** *HKAS 24 (Revised) Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

**(b)** *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. The key amendment most applicable to the Group is HKAS 1 *Presentation of Financial Statements*. This amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

### 1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> <sup>1</sup>
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i> <sup>4</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> <sup>1</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> <sup>4</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>6</sup>
HKFRS 10	<i>Consolidated Financial Statements</i> <sup>4</sup>
HKFRS 11	<i>Joint Arrangements</i> <sup>4</sup>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>4</sup>
HKFRS 13	<i>Fair Value Measurement</i> <sup>4</sup>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> <sup>3</sup>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> <sup>2</sup>
HKAS 19 (2011)	<i>Employee Benefits</i> <sup>4</sup>
HKAS 27 (2011)	<i>Separate Financial Statements</i> <sup>4</sup>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> <sup>4</sup>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> <sup>5</sup>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>4</sup>
<i>Annual Improvements Project</i>	<i>Annual Improvements to HKFRSs 2009-2011 Cycle</i> <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2015

### 1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Further information about those changes that are expected to affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 April 2015.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 April 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 April 2013.

### 1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to income statement at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 April 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 April 2012.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 April 2013.

*Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out a collection of amendments to HKFRSs which are issued in response to the International Accounting Standards Board's annual improvements project to make necessary, but non-urgent, amendments to International Financial Reporting Standards ("IFRSs") that will not be included as part of another major project. The amendments contained in *Annual Improvements to HKFRSs 2009-2011 Cycle* are effective for annual periods beginning on or after 1 January 2013, although entities are permitted to apply them earlier. The Group expected to adopt the amendments from 1 April 2013. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant final impact on the Group.

The Group is in the process of making an assessment of impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

## **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 panel 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 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.

Segment assets exclude unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated liabilities as these liabilities are managed on a group basis.

## 2. SEGMENT INFORMATION (Continued)

### (a) Operating segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 March 2012 and 2011.

Group	Electrical and electronic products		Motors		Resources development		Other manufacturing activities		Eliminations		Consolidated	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Segment revenue												
Revenue from external customers	981,037	1,105,982	537,863	554,567	7,438	10,171	94,122	52,068	-	-	1,620,460	1,722,788
Intersegment sales	1,777	2,678	13,647	36,875	-	-	1,741	211	(17,165)	(39,764)	-	-
Other income and gains, net	7,402	6,590	18,316	19,472	3,164	114	599	493	-	-	29,481	26,669
Total	<u>990,216</u>	<u>1,115,250</u>	<u>569,826</u>	<u>610,914</u>	<u>10,602</u>	<u>10,285</u>	<u>96,462</u>	<u>52,772</u>	<u>(17,165)</u>	<u>(39,764)</u>	<u>1,649,941</u>	<u>1,749,457</u>
Segment results	<u>104,230</u>	<u>167,045</u>	<u>(59,398)</u>	<u>6,175</u>	<u>(46,038)</u>	<u>(16,902)</u>	<u>1,225</u>	<u>(3,223)</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>153,095</u>
Interest and unallocated gains											1,697	5,050
Unallocated expenses											(15,223)	(18,429)
Finance costs											(5,637)	(1,052)
Share of profits and losses of associates											-	(135)
Profit/(loss) before tax											(19,144)	138,529
Income tax expense											(15,519)	(28,072)
Profit/(loss) for the year											<u>(34,663)</u>	<u>110,457</u>
Segment assets	1,364,184	1,201,001	425,238	453,182	232,132	123,974	67,390	53,076	(697,986)	(539,022)	1,390,958	1,292,211
Unallocated assets											312,645	285,008
Total assets											<u>1,703,603</u>	<u>1,577,219</u>
Segment liabilities	274,864	270,297	361,164	353,344	377,792	211,453	32,921	28,683	(697,986)	(539,022)	348,755	324,755
Unallocated liabilities											353,605	216,697
Total liabilities											<u>702,360</u>	<u>541,452</u>
Other segment information:												
Depreciation and amortisation	49,934	46,604	30,176	31,435	2,627	856	2,935	1,746	-	-	85,672	80,641
Unallocated amounts											698	606
											<u>86,370</u>	<u>81,247</u>
Impairment/(write-back of impairment) of accounts receivable	-	(175)	2	(508)	22	-	-	-	-	-	24	(683)
Capital expenditure	61,654	52,533	32,971	47,189	90,939	11,022	431	33,014	-	-	185,995	143,758
Surplus on revaluation of land and buildings, net	-	(4,149)	-	-	-	-	-	-	-	-	-	(4,149)
Unallocated amounts											(8,313)	(2,105)
											<u>(8,313)</u>	<u>(6,254)</u>
Surplus on revaluation recognised directly in equity	(13,695)	(7,733)	(1,129)	(334)	(631)	(471)	(4,691)	(4,697)	-	-	(20,146)	(13,235)
Unallocated amounts											(1,507)	(2,847)
											<u>(21,653)</u>	<u>(16,082)</u>

## 2. SEGMENT INFORMATION (Continued)

### (b) Geographical information

Group	United States of America		Europe		Asia		Others		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	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	<u>399,470</u>	<u>499,682</u>	<u>352,495</u>	<u>385,395</u>	<u>745,596</u>	<u>697,896</u>	<u>122,899</u>	<u>139,815</u>	<u>1,620,460</u>	<u>1,722,788</u>

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

Group	Hong Kong		PRC		Malaysia		Laos		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:										
Non-current assets	<u>46,651</u>	<u>44,706</u>	<u>692,321</u>	<u>643,171</u>	<u>35,982</u>	<u>36,904</u>	<u>1,542</u>	<u>-</u>	<u>776,496</u>	<u>724,781</u>

Non-current assets for the segment information consist of property, plant and equipment, investment properties, prepaid land lease payments, intangible assets and deposits.

### (c) Information about major customers

Revenue of HK\$857,881,000 (2011: HK\$998,802,000) was derived from sales to the following two major customers individually accounted for over 10% of the Group's total revenue.

- (i) Revenue of HK\$326,143,000 (2011: HK\$369,993,000) was derived from sales of electrical and electronic products and other manufacturing activities to a major customer. The amount includes sales to a group of entities which are known to be under common control.
- (ii) Revenue of HK\$531,738,000 (2011: HK\$628,809,000) was derived from sales of electrical and electronic products to a major customer.

### 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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b><u>Revenue</u></b>		
Manufacture and sale of:		
Electrical and electronic products	981,037	1,105,982
Motors	537,863	554,567
Resources development	7,438	10,171
Other manufacturing activities	94,122	52,068
	<u>1,620,460</u>	<u>1,722,788</u>
<b><u>Other income and gains, net</u></b>		
Bank interest income	1,857	1,357
Dividend income from listed investments	811	–
Gross rental income	3,620	4,797
Sale of scrap materials	26,016	23,073
Gain on a bargain purchase	–	278
Loss on disposal of items of property, plant and equipment, net	(1,788)	(2,081)
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	(3,981)	435
Others	4,643	3,860
	<u>31,178</u>	<u>31,719</u>

#### 4. PROFIT/(LOSS) BEFORE TAX

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Depreciation	79,280	74,544
Amortisation of prepaid land lease payments	507	359
Amortisation of deferred development costs*	6,583	6,344
Minimum lease payments under operating leases in respect of land and buildings	4,803	4,487
Gain on a bargain purchase	–	(278)
Loss on disposal of items of property, plant and equipment, net	1,788	2,081
Write-off of items of property, plant and equipment**	5,283	–
Impairment/(write-back of impairment) of accounts receivable	24	(683)
Employee benefit expense (including directors' remuneration):		
Wages and salaries	355,835	331,478
Equity-settled share option expense	844	2,458
Pension scheme contributions	1,933	2,121
	<u>358,612</u>	<u>336,057</u>
Surplus on revaluation of land and buildings and investment properties, net**	(8,313)	(6,254)
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	3,981	(435)
Foreign exchange differences, net	7,858	(399)
Bank interest income	(1,857)	(1,357)
Dividend income from listed investments	(811)	–
Net rental income	<u>(3,285)</u>	<u>(4,352)</u>

At the end of the reporting period, the Group did not have any material forfeited contributions to reduce its contributions to the pension scheme in future years.

\* *The amortisation of deferred development costs is included in "Cost of sales" on the face of the consolidated income statement.*

\*\* *The surplus on revaluation of land and buildings and investment properties, net, and write-off of items of property, plant and equipment are included in "Administrative expenses" on the face of the consolidated income statement.*

## 5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates.

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 at 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.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	8,059	16,022
Under provision/(over provision) in prior years	(211)	4,476
Current – Elsewhere		
Charge for the year	6,007	9,434
Deferred tax	<u>1,664</u>	<u>(1,860)</u>
Total tax charge for the year	<u><u>15,519</u></u>	<u><u>28,072</u></u>

No share of tax attributable to associates (2011: Nil) is included in “Share of profits and losses of associates” on the face of the consolidated income statement.

## 6. DIVIDENDS

	2012 HK\$'000	2011 HK\$'000
<b>Dividends paid during the year</b>		
Final in respect of the financial year ended 31 March 2011		
– HK4.5 cents per ordinary share (2011: final dividend of HK8 cents per ordinary share, in respect of the financial year ended 31 March 2010)	18,844	33,501
Interim – Nil (2011: HK4.5 cents per ordinary share)	–	18,844
	<u>18,844</u>	<u>52,345</u>
<b>Proposed final dividend</b>		
Final – HK2 cents (2011: HK4.5 cents) per ordinary share	<u>8,375</u>	<u>18,844</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the dividend payable.

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

The calculation of the basic earnings/(loss) per share amount is based on the loss for the year attributable to equity holders of the Company of HK\$28,351,000 (2011: profit of HK\$114,381,000) and 418,748,000 (2011: weighted average of 418,402,795) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2012 as share options outstanding during the year had an anti-dilutive effect on the basic loss per share presented.

The calculation of the diluted earnings per share amount for the year ended 31 March 2011 is based on the profit for the year attributable to equity holders of the Company of HK\$114,381,000 and 419,124,229 ordinary shares, being the number of shares outstanding, adjusted for the effects of the dilutive potential ordinary shares outstanding.

**7. EARNINGS/(LOSS) 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 earnings per share for the year ended 31 March 2011 was as follows:

	2011
Weighted average number of ordinary shares used in calculating the basic earnings per share	418,402,795
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the year ended 31 March 2011	<u>721,434</u>
Weighted average number of ordinary shares used in calculating the diluted earnings per share	<u><u>419,124,229</u></u>

**8. ASSETS CLASSIFIED AS HELD FOR SALE**

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 April	–	–
Transfer from investment properties	<u>50,482</u>	<u>–</u>
At 31 March	<u><u>50,482</u></u>	<u><u>–</u></u>

**9. 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 to two months, extending up to three 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 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. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

## 9. ACCOUNTS RECEIVABLE (Continued)

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

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 – 30 days	<b>143,210</b>	135,636
31 – 60 days	<b>56,023</b>	31,383
61 – 90 days	<b>9,286</b>	15,194
Over 90 days	<b>9,490</b>	4,382
	<b>218,009</b>	186,595
Less: Impairment allowance	<b>(872)</b>	(853)
	<b>217,137</b>	185,742

## 10. PREPAYMENTS AND DEPOSITS

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Deposits for mining projects	<b>19,596</b>	35,120
Deposit for land lease payment	–	3,615
Prepayments	<b>76,050</b>	82,502
Other deposits	<b>1,341</b>	1,977
Prepaid land lease payments	<b>586</b>	359
	<b>97,573</b>	123,573
Less: Current portion	<b>(77,977)</b>	(84,838)
Non-current portion	<b>19,596</b>	38,735

# 11. ACCOUNTS AND BILLS PAYABLE, ACCRUED LIABILITIES AND OTHER PAYABLES

An aged analysis 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 follows:

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 – 30 days	<b>94,125</b>	106,611
31 – 60 days	<b>59,718</b>	41,846
61 – 90 days	<b>18,511</b>	22,136
Over 90 days	<b>5,364</b>	9,190
	<hr/>	<hr/>
Accounts and bills payable	<b>177,718</b>	179,783
Accrued liabilities	<b>133,518</b>	123,282
Other payables	<b>24,528</b>	29,340
	<hr/>	<hr/>
	<b>335,764</b>	332,405
	<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.

As at 31 March 2012, included in other payables, an amount of RMB5,200,000 (2011: RMB5,200,000), approximately HK\$6,265,000 (2011: HK\$6,265,000), received since 2009 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.

## 12. INTEREST-BEARING BANK BORROWINGS

### Group

	Effective interest rate	Maturity (Note)	2012 HK\$'000	2011 HK\$'000
<b>Current</b>				
Bank loans – unsecured	Hong Kong Interbank Offered Rate (“HIBOR”) +1.88%	2013	38,271	–
Bank loans – unsecured	HIBOR+1% to 2%	2013	5,207	–
Bank loans – unsecured	HIBOR+1% to 2%	On demand	110,000	171,419
			<u>153,478</u>	<u>171,419</u>
<b>Non-current</b>				
Bank loans – unsecured	HIBOR+1.88%	2014 – 2016	154,038	–
			<u>307,516</u>	<u>171,419</u>

The Group’s banking facilities are supported by corporate guarantees given by the Company and certain subsidiaries of the Company. The carrying amounts of the Group’s bank borrowings approximate to their fair values. All bank borrowings are in Hong Kong dollars and United States dollars.

*Note:* At 31 March 2011, the Group’s term loans in the amount of HK\$171,419,000 containing an on-demand clause have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank borrowings and analysed into bank loans repayable on demand. Based on the maturity terms of the loans, the amounts repayable in respect of the loans are: HK\$166,212,000 payable within one year or on demand and HK\$5,207,000 payable in the second year.

## MANAGEMENT DISCUSSION AND ANALYSIS

Subject to a variety of macroeconomic and operating adversities, the year ended 31 March 2012 (“FY2012”) has presented the Group with dual challenges of weakening demand on the export front and rising costs in its manufacturing base in the People’s Republic of China (the “PRC”).

In these circumstances, the Group reported its first loss for the whole fiscal year since its listing in 1997. The loss incurred was primarily due to a decline in gross profit margin, which was the combined result of a decrease in contributions from the Group’s manufacturing businesses and an increase in operating costs.

Driven by the appreciation of the Renminbi, rising raw material prices and an increase in statutory minimum wages in the PRC, the Group’s operating costs for its manufacturing businesses increased considerably during the year. The current set of results also takes into account higher operating expenses incurred from continued investments in strategic growth initiatives, in particular in the materials and natural resources development businesses, which were still in investment mode.

During FY2012, the Group continued to operate four major business segments, including the three research-and-development-based industrial disciplines of electrical and electronic products, motors, and other manufacturing activities, as well as a non-manufacturing segment engaging in resources development.

In response to the current circumstances, the Group has pledged renewed focus on restoring sustainable financial results from its manufacturing businesses, while continuing prudently to manage its portfolio of other investments.

Measures taken included the disposal of non-core underutilized properties in Songgang Town, Bao An District, Shenzhen City, Guangdong Province, the PRC. The properties, with a total gross floor area of approximately 22,908 square meters, were sold in May 2012 for a total cash consideration of HK\$55 million, where the first payment of HK\$10 million was received in mid May 2012 and the final payment of HK\$45 million is expected by the end of 2012. The disposal will allow the Group to realize this long-term investment, and the cash inflow generated from the disposal will help enhance the Group’s cash position and provide additional resources for the expansion and development of its core businesses. As a result of the disposal, a gain of approximately HK\$4.5 million is expected to be realised by the Group for the year ended 31 March 2013 (“FY2013”).

While remaining cautious over the uncertainties in the macroeconomic environment, we believe our healthy balance sheet will position us well to weather the challenges ahead. We have in place a lean operating structure and a strong and devoted management team determined to mitigate possible adverse impacts that the world-wide macroeconomic environment would have on our businesses going forward. Although full of confidence and starting to see a downward trend of raw material prices lately, we may yet to assure a soon and significant turnaround of our financial results in the year to FY2013.

## **CONSOLIDATED RESULTS**

Reflecting a slackened demand and an excess inventories situation with many vendors, the Group's consolidated turnover declined 5.9% year on year to HK\$1,620,460,000, after registering a record high of HK\$1,722,788,000 in the year ended 31 March 2011 ("FY2011"). The respective segmental external turnover contributions of the various business streams to the Group's total turnover, together with a percentage breakdown, are set out below:

- HK\$981,037,000 from the electrical and electronic products business, representing 60.5% of the consolidated turnover of the Group for the year (FY2011: HK\$1,105,982,000, 64.2%);
- HK\$537,863,000 from the motors business, contributing 33.2% of the total (FY2011: HK\$554,567,000, 32.2%);
- HK\$94,122,000 from other manufacturing activities, or 5.8% of the total (FY2011: HK\$52,068,000, 3.0%); and
- HK\$7,438,000 from the resources development business, accounting for 0.5% of the total (FY2011: HK\$10,171,000, 0.6%).

For FY2012, the Group reported a loss attributable to owners of the Company of HK\$28,351,000, compared to an attributable profit of HK\$114,381,000 in FY2011. Basic loss per share for the year was HK6.77 cents (FY2011: earnings of HK27.34 cents). For FY2012, the Group, recorded certain one-off provisions or expenses of HK\$18,841,000 (after excluding the portion shared by minority shareholders), in total (FY2011: Nil). Before inclusion of one-off provisions or expenses, loss attributable to owners of the Company was HK\$9,510,000 in FY2012 (FY2011: profit of HK\$114,381,000).

The Group's results in FY2012 continued to be adversely impacted in respect of its manufacturing businesses by the surge in operating costs caused by the appreciation of the Renminbi and increasing raw material and labour costs in the PRC, while incurring higher operating expenses for the Group's other investments.

The table below sets out the segment results of the Group by business segments for FY2012, together with the comparative figures for the previous year:

Segment results by business segments	HK\$		Year-on-
	FY2012	FY2011	year change %
Electrical and electronic products	104,230,000	167,045,000	-37.6
Motors <i>(Note 1)</i>	(59,398,000)	6,175,000	N/A
Other manufacturing activities	1,225,000	(3,223,000)	N/A
Resources development <i>(Note 2)</i>	<u>(46,038,000)</u>	<u>(16,902,000)</u>	<u>N/A</u>
Total segment results	<u>19,000</u>	<u>153,095,000</u>	<u>N/A</u>

*Note 1:* including one-off provisions or expenses of HK\$10,987,000 for FY2012 and Nil for FY2011

*Note 2:* including one-off provisions or expenses of HK\$10,369,000 for FY2012 and Nil for FY2011

## 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 electrical home appliances.

Segment external turnover decreased by 11.3% to HK\$981,037,000 during FY2012 (FY2011: HK\$1,105,982,000). Sales of the lines of AI robotic cleaners and toys have both declined amidst weak market sentiments. The segment profit dropped by 37.6% to HK\$104,230,000 (FY2011: HK\$167,045,000) as the segment margin was affected by lower sales and surging costs.

Despite a slight slowdown in the order book for robotic cleaners during FY2012, the Group has received a possible rebound indication from the client for FY2013. Discussions are also underway with the client on the development of other products in a bid to build new income streams for the segment.

Orders for toys have also declined in FY2012 as compelled by market dynamics but management has redoubled its business development efforts among both existing and potential customers. New product developments for new customers are expected to begin to bring returns for the segment in FY2013.

We are confident that our track record as a reliable and high-quality supplier will help us further advance our business development initiatives with new customers. We will continue to optimize the utilization of existing facilities by diversifying our product categories and maintain this segment as one of our key sources of cashflow contribution to the Group.

The various cost parameters, which showed an uptrend in FY2012, are expected to stabilize in the coming year against weak market conditions. The appreciation of the Renminbi is expected to be moderate, while an easing of raw material prices is also widely expected as weaker demand begins to bring the commodities market back into balance. The prices of raw materials have remained stable during the past few months, with possible downward movement.

On the basis of a positive order book for the months ensuing and stabilizing cost factors, the management maintains a conservatively optimistic outlook for this segment in FY2013.

### **Motors Business Segment**

The motors segment is engaged in the development, design, manufacture and sale of a wide range of micro-electric motors and related products, ranging from direct-current, alternative-current and brushless motors to motor encoder systems.

Despite strong market headwinds, segment external turnover remained stable at HK\$537,863,000 (FY2011: HK\$554,567,000) during FY2012. A segment loss of HK\$59,398,000 (FY2011: segment profit of HK\$6,175,000) was incurred for the first time after including one-off provision or expenses of HK\$10,987,000 (FY2011: Nil).

The loss was mainly accounted for by the rising raw material prices and an increase in statutory minimum wages in the PRC leading to a substantial increase in operating costs, aggravated by the appreciation of the Renminbi, and also reflected restrained selling prices owing to severe competition in the market.

In an effort to enhance the operational efficiency of this segment, in March 2012 the Group closed its high-cost factory inherited from the previous acquisition of production assets in Dongguan City, Guangdong Province, the PRC. All production lines in Dongguan factory were relocated to our Group's lower-cost facility base in Shaoguan City, Guangdong Province, the PRC. One-off impairment costs in total of approximately HK\$10,987,000 was recorded mainly in relation to impairment losses on property, plant and equipment, employee termination benefits and relocation costs of plant and equipment, for the closure of the facility in Dongguan for FY2012.

This relocation is part of our cost restructuring program with a broad aim of reducing operating costs by relocating selected production processes and/or complete product production to lower-cost satellite locations in the PRC whilst enhancing the production mix of higher-margin products in our well-developed production facilities. Further steps of shifting selected production processes and/or product production to other lower-cost locations in the PRC are being planned and rolled out.

In view of the incessant increase in minimum wages and the appreciation of the Renminbi, the segment will continue to enhance the efficiency of its production lines, with special focus placed on furthering the automation process. Furthermore, the segment will strive to achieve higher economies of scale particularly by introducing new products and customers.

In order to continue to broaden the segment's customer base, now covering toy, personal care, precision instrument and automotive sector clients, a new research and development centre has been established. With the recruitment of more engineers to work in the new centre, the segment will be able to further strengthen its research and development capability to respond to more sophisticated customer requirements and to develop new products.

The management has been actively pursuing various measures to raise the top line and control the bottom line through automation and cost savings, and is committed to improve the segment's performance in the coming year.

## **Other Manufacturing Activities**

This segment comprises the development, design, manufacture and sales of a broad range of feature plush, wooden and educational toys, on both original design manufacturing (ODM) and original equipment manufacturing (OEM) bases, and under the Group's house brand, as well as a newly acquired line of encoder film manufacturing production facilities based in Malaysia.

The segment's external turnover increased by 80.8% year on year during FY2012 to HK\$94,122,000 (FY2011: HK\$52,068,000). Sales were driven mainly by plush items, but sales increases were also recorded on the wooden and encoder product lines. A segment profit of HK\$1,225,000 (FY2011: segment loss of HK\$3,223,000) was recorded for the year on the back of higher margins from non-toy wooden items for new customers. The plush line, on the other hand, recorded a further squeeze in margin.

FY2012 was the first full year of operation for our encoder film factory in Malaysia, which is still operating on a moderate scale. The loss incurred for this unit has narrowed during the year. The management believes that it will take more time for it to reach the required level of efficient production scale amidst captive market dynamics by regaining orders from the designated potential customers.

Efforts to expand its product range on top of its toy-sector client portfolio will continue and are expected to bring a positive impact on the segment's sales in the coming year.

## **Resources Development Business Segment**

During the year, 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.

In a snapshot, FY2012 was an eventful year for this segment, which continued to be under active business development despite a lack of major breakthrough in terms of revenue. The segment's businesses were still largely in investment mode and have been experiencing various kinds of difficulties, particularly in obtaining exploitation licences for our exploration projects in the PRC.

Key events during the year include:

- Completion of the construction of the new ITO Powder and Targets production lines within the Group's Shaoguan production base in October 2011;
- Embarking into natural resources business activities in the Lao People's Democratic Republic ("Lao PDR") in November 2011; and
- Commissioning of the ore processing plant in Dushan County, Guizhou Province, the PRC, in March 2012.

While revenues of the segment continued to be fully generated from the materials development business, segment external turnover in FY2012 decreased by 26.9% year on year to HK\$7,438,000 (FY2011: HK\$10,171,000). Segment loss was HK\$46,038,000 (FY2011: HK\$16,902,000) during the year, after including one-off provision or expenses of HK\$10,369,000 in FY2012 (FY2011: Nil) mainly in relation to initial preparatory fees and provision for litigation claims.

We are aware of the adverse impact these businesses have on the Group's operating position as a whole and the higher operating expenses incurred. At a time when the manufacturing operating environment is facing uncertainty in terms of business volume and margin, the segment's demand for funds to fuel its development, particularly the natural resources development business, could incur a financial burden to the Group. It is against this background that the Company has resolved not to expand into new natural resources development projects for the time being.

### ***Materials Development Business***

The Group has been operating this business through a Hong Kong company named Sigma Technology Holdings Limited, which in turn wholly owns a legal entity in the PRC named Shaoguan Sigma Technology Company Limited. Sigma Technology Holdings Limited and Shaoguan Sigma Technology Company Limited are collectively referred to as "Sigma Technology".

FY2012 marked a major milestone in the development of our ITO Targets business when 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 was completed in October 2011. The launch of these new proprietary new production lines signifies the ramping up of the operation from a laboratory scale to a commercial production scale.

Production process tests and trial runs have started since November 2011. Management efforts have been focused on deploying the relevant technologies and know-how in large scale commercial operation while liaising closely with end users to obtain feedback from sample product testing in order to fine-tune and perfect the production process.

Based on our competitive attributes and the anticipated market growth and potential, Sigma Technology will initially focus on two dedicated markets; the light-emitting diode (LED) illumination and touch panel markets. To this end, Sigma Technology may invest further in auxiliary production processes, including but not limited to ITO Target reclaim/recycling service.

With a home-grown team aiming at providing holistic solutions incorporating technology, sales and after-sales services, Sigma Technology has realigned its distribution channels to enable a more direct distribution of products and to facilitate brand building. As a result, we have temporarily suspended selling products to certain existing customers, causing a comparative decrease in turnover for this business in FY2012.

We are going through the start-up period of a commercial production operation with exceptionally high technology contents and are expected to face various challenges and difficulties inevitably. Yet, we will be steadfast to pursue the principle of "Quality Comes First" in offering our products in this business. On this backdrop, we set the target of launching the products after allowing enough lead time to consolidate our technology fundamentals within the coming year.

## ***Natural Resources Development Business***

During the year under review, the business was engaged mainly in:

(i) Exploration activities in

- the zinc/lead polymetallic tenement area of 27 square kilometres with an exploration licence (the “Jinshi Exploration Area”) in relation to the Xian Polymetallic Mine located in Jiangjuncha, Lantian County, Xian City, Shaanxi Province; the PRC, where the Group has a 70% interest;
- the zinc/lead/iron polymetallic tenement area of 18 square kilometres with an exploration licence (the “Wengyuan Exploration Area”) located in Xin Jiang Town, Wengyuan County, Shaoguan City, Guangdong Province, the PRC, where the Group has a 100% interest; and
- the copper/iron tenement area of 324 square kilometres with relevant licences and government approvals (the “Saiyabouly Exploration Area”) located in Saiyabouly Province, the Lao PDR, where the Group has a 70% interest.

(ii) Ore processing and refining and downstream processing activities in

- the ore processing facilities with a daily capacity of 500 tonnes, mainly for magnetic iron, located near the Wengyuan Exploration Area where the Group has a 100% interest; and
- the ore processing plant with a daily capacity of 300 tonnes, mainly for antimony ore processing, located in Dushan County, Guizhou Province, the PRC, where the Group will have a 60% interest; and
- the smelting plant with an annual capacity of 2,000 to 3,000 tonnes of antimony ingots in Dushan County, Guizhou Province, the PRC, where the Group will have a 60% interest.

## *Exploration*

### (i) The Jinshi Exploration Area

Since the latter part of FY2012, geological work in relation to the Jinshi Exploration Area was temporarily slowed down given that the statutory amount of geological work for the renewal of the relevant exploration licence and the application for an exploitation licence has largely been completed.

The existing relevant exploration licence expired in April 2012, and the government approval to grant the renewed exploration licence for two more years is expected by the end of June 2012. However, in accordance with the relevant national requirements in the PRC, the size of the Jinshi Exploration Area is expected to be reduced to approximately 24 square kilometres (excluding the designated Jinshi Exploitation Area as defined below).

We adopted a strategy that substantial further investment in the Jinshi Exploration Area would only be made when the relevant exploitation licence can be secured. The Group has basically restricted the capital investment for the Jinshi Exploration Area to minimum geological work, infrastructure and auxiliary construction to prepare for and accommodate the anticipated exploitation stage going forward. Management efforts are focused on the obtaining of the relevant exploitation licence for the designated Jinshi Exploitation Area.

### (ii) The Wengyuan Exploration Area

The existing relevant exploration licence expired in June 2012, and the government approval to grant the renewed exploration licence for two more years is expected by the end of July 2012.

Supplemental exploration work has been carried out in the Wengyuan Exploration Area to further delineate the reserves and exact locations of minerals in the area. However, further investment in the exploration work in the area is kept at a minimum level pending the obtaining of the relevant exploitation licence for the designated Wengyuan Exploitation Area (as defined below).

(iii) The Saiyabouly Exploration Area

Following the entering into the relevant prospecting and exploration agreement with the Lao PDR Government in November 2011, the Group has started reconnaissance survey work on the Saiyabouly Exploration Area.

The planned initial geochemical prospecting and geophysical prospecting fieldwork within an area of 194 square kilometres in the Saiyabouly Exploration Area have been completed.

The location of Saiyabouly Exploration Area has entered into the rainy season since late May and we would expect to resume fieldwork for reconnaissance survey in the area around October 2012.

For such a large tenement area, our key strategy to progress the project is to identify as soon as practicable the potential area where we could conduct detailed geological work so as to bring the particular area to its next stage of development – the exploration stage. For the time being, we are still analysing the preliminary geological data we have collected so far for the 194 square kilometre area and could not arrive at definitive conclusions yet. Provided there is a favourable result of our prospecting work, the expected time to identify a designated area for applying for an exploration stage would be around end of 2013.

*Exploitation*

(i) The designated Jinshi Exploitation Area

The progress of expecting to obtain the relevant exploitation licence for an area of 2.2 square kilometres (the “designated Jinshi Exploitation Area”) in relation to the Xian Polymetallic Mine has been delayed, as compared to our anticipated time frame of obtaining the exploitation licence before the end of 2011 as forecast in our annual report for FY2011. One of the key prerequisites to obtaining an exploitation licence is approval from the relevant Environmental Protection Bureau, which has not yet been granted.

We have been informed that certain new requirements for the obtaining of such approval have been promulgated since we started the project. To this end, we are working closely with our advisers, consultants and local partner to devise measures to obtain approval for the project.

While we are determined to make every effort to obtain the exploitation licence, judging from the currently available information the management cannot form a view with certainty that the relevant exploitation licence for the designated Jinshi Exploitation Area can be obtained.

(ii) The designated Wengyuan Exploitation Area

The obtaining of the exploitation licence for an area of 5 square kilometres (the “designated Wengyuan Exploitation Area”) within the Wengyuan Exploration Area is still in progress.

Similar to the situation in our project in Xian, one of the key prerequisites to obtaining the exploitation licence is approval from the relevant Environmental Protection Bureau, which has not yet been granted. The originally expected time frame of obtaining the exploitation licence by late 2011 or early 2012 as forecast in our annual report for FY2011 is delayed to around end of the first quarter 2013 based on the current developments.

*Ore Processing*

The acquisition of an ore processing plant near the location of the Jinshi Exploration Area has not materialised for the reason that the seller has not been able to fulfill the required conditions precedent related to this potential acquisition by us. Nevertheless, we have made arrangements for the outsourcing to this processing plant of the ore by-products obtained from the Jinshi Exploration Area as and when needed in order to maximize the cashflow generating ability of the project under the current stage of development. We would revisit the possibility of acquiring this ore processing plant when we can be certain of obtaining the relevant exploitation licence for our project in Xian.

The magnetic iron ore processing facilities with a daily capacity of 500 tonnes located near the Wengyuan Exploration Area is exclusively to support the project therein. Should the relevant exploitation licence be obtained, this ore processing facilities could commence production. When appropriate, minor investment would be made to upgrade the facilities in order to enhance the production efficiency.

The construction of the independent antimony ore processing plant with a daily capacity of 300 tonnes located in Dushan County, Guizhou Province, the PRC was completed in February 2012. Trial running has commenced. We are sourcing antimony ores in the plant's surroundings. The performance of the plant will depend on the quality and quantity of antimony ores available.

### *Refining and Downstream Processing*

The Company, through a non-wholly owned subsidiary, has entered into a conditional sale and purchase agreement with the seller pursuant to which the non-wholly owned subsidiary will acquire the entire interest in a smelting plant with an annual capacity of 2,000 to 3,000 tonnes of antimony ingots in Dushan County, Guizhou Province, the PRC. The operations of the smelting plant has temporarily been suspended pending studies of a technological upgrade to uplift production efficiency.

Given the overall sluggish development of our natural resources development business, we have decided to put on hold the construction of the planned medium-sized downstream processing plant in Dushan county, Guizhou Province, the PRC.

Given the nature of the prolonged time span required to achieve revenue from the natural resources development projects, this business may continue to require funding support from the Group which may or may not result in satisfactory outcomes within a short period of time. In this connection, we will strive to overcome difficulties to proceed cautiously with existing businesses on the one hand, but unless we could carve a path-to-revenue for this business on the other hand, we have been strategising and devising measures to reduce the possible financial burden this segment would have had on the Group during this investment stage. Possible measures could include, but are not limited to, slowing the pace of development and/or disposing of certain projects.

The Group will maintain extreme prudent during these turbulent times in formulating its ongoing strategies for the development and management of its portfolio of resources related businesses.

## **PROPOSED DIVIDEND**

The Board is pleased to recommend the payment of a final dividend of HK2.0 cents (FY2011: HK4.5 cents) per share for FY2012, representing HK\$8,375,000 (FY2011: HK\$18,844,000). The final dividend is expected to be paid on 14 September 2012 to those shareholders whose names appear on the Company's register of members on 28 August 2012, subject to the approval in the annual general meeting of the Company to be held on 20 August 2012. Based on the aforesaid recommended final dividend, the yearly dividend distributed by the Company during FY2012 was HK2.0 cents (FY2011: HK9.0 cents).

## **FINANCIAL CONDITIONS, LIQUIDITY AND FINANCIAL RESOURCES**

The Group primarily used its internally generated cash flow and banking facilities to finance its operations and business development. The Group has always been executing a prudent and conservative strategy in its financial management. As at 31 March 2012, the Group had time deposits of HK\$79,775,000 (FY2011: HK\$86,803,000), cash and bank balances of HK\$159,589,000 (FY2011: HK\$127,724,000), and net current assets of HK\$406,153,000 (FY2011: HK\$332,759,000). As at 31 March 2012, shareholders' equity was HK\$1,001,243,000 (FY2011: HK\$1,035,767,000). Currently, total consolidated banking facilities of the Group from all banks as at 31 March 2012 amounted to approximately HK\$426,560,000 (FY2011: HK\$209,580,000), of which HK\$307,516,000 (FY2011: HK\$171,419,000) was utilized.

As at 31 March 2012, current ratio of the Group (current assets divided by current liabilities) was maintained at a healthy position of 1.8 times (FY2011: 1.6 times), with gearing ratio (interest bearing bank borrowings divided by total shareholders' equity) at 30.7% (FY2011: 16.5%). Based on the above, the Group continued to enjoy a healthy financial position with sufficient financial resources to support its future development.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

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

## **DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES**

On 4 May 2011, the Company, as a borrower, entered into a 60 months HK\$100 million term loan facility agreement with a bank.

On 16 May 2011, the Company, as a borrower, entered into a 42 months HK\$100 million term loan facility agreement with a bank.

Each of the term loan facility agreement imposes, inter alia, a condition that Mr. Cheng Chor Kit, the director and the controlling shareholder of the Company, and the discretionary trust set up by him for the benefit of his family; collectively shall beneficially or directly maintain a shareholding of not less than 50% of the issued share capital of the Company. A breach of the above mentioned condition will constitute an event of default under the relevant facility letter. Upon the occurrence of such event, each of the loan shall become immediately due and repayable on demand.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Board regularly reviews its corporate governance guidelines and development. 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 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 March 2012 except for the deviation from provision A.2.1 of the CG Code as described in the section “Chairman and Chief Executive Officer” below.

### **Chairman and Chief Executive Officer**

According to provision A.2.1 of the CG Code, the role of chairman and chief executive officer shall be separated and should not be performed by the same individual and the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The roles of the chairman and the chief executive officer 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 meet 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 annual report.

## **REVIEW OF ACCOUNTS**

The Audit Committee of the Company has reviewed the financial results of the Group for the year ended 31 March 2012, including the accounting principles and practices adopted by the Group, and has discussed with the management its internal controls and accounts.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Friday, 17 August 2012 to Monday, 20 August 2012, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s share registrar in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 16 August 2012.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is 28 August 2012. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 24 August 2012 to Tuesday, 28 August 2012, both days inclusive, during which period no transfer of share will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Tricor Tengis Limited, for registration not later than 4:30 p.m. on Thursday, 23 August 2012. The payment of final dividend will be made on Friday, 14 September 2012.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

The results announcement is published on the website of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and is available on the Company's website at [www.kinyat.com.hk](http://www.kinyat.com.hk). An annual report for the year ended 31 March 2012 will be dispatched to the Company's shareholders and available on the said websites in due course.

On behalf of the Board

**Cheng Chor Kit**

*Chairman and Chief Executive Officer*

Hong Kong, 27 June 2012

*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 BBS JP, Mr. Wong Chi Wai and Ms. Sun Kwai Yu.*