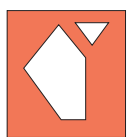


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## KIN YAT HOLDINGS LIMITED

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 2013

The Board of Directors (the “Board”) of Kin Yat Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2013, together with the comparative figures for the previous corresponding year, as follows:

#### CONSOLIDATED INCOME STATEMENT

*Year ended 31 March 2013*

		2013	2012
	Notes	HK\$'000	HK\$'000
<b>REVENUE</b>	3	<b>1,763,427</b>	1,620,460
Cost of sales		<b>(1,537,608)</b>	(1,460,434)
Gross profit		<b>225,819</b>	160,026
Other income and gains, net	3	<b>41,094</b>	31,178
Selling and distribution expenses		<b>(42,210)</b>	(41,258)
Administrative expenses		<b>(165,647)</b>	(163,453)
Finance costs		<b>(5,472)</b>	(5,637)
Share of profits and losses of associates		<b>8,268</b>	—
<b>PROFIT/(LOSS) BEFORE TAX</b>	4	<b>61,852</b>	(19,144)
Income tax expense	5	<b>(33,429)</b>	(15,519)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>28,423</b>	(34,663)
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>39,076</b>	(28,351)
Non-controlling interests		<b>(10,653)</b>	(6,312)
		<b>28,423</b>	(34,663)
<b>EARNINGS/(LOSS) PER SHARE</b>			
<b>ATTRIBUTABLE TO EQUITY HOLDERS</b>			
<b>OF THE COMPANY</b>	7		
Basic		<b>HK9.33 cents</b>	(HK6.77) cents
Diluted		<b>HK9.33 cents</b>	(HK6.77) cents

Details of the dividends are disclosed in note 6 to the announcement.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2013

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<u>28,423</u>	<u>(34,663)</u>
<b>OTHER COMPREHENSIVE INCOME:</b>		
Revaluation surplus, net	46,942	21,653
Deferred tax debited to asset revaluation reserve	(8,368)	(3,537)
Deferred tax credited to asset revaluation reserve upon disposal of items of property, plant and equipment	320	–
Release of exchange fluctuation reserve upon disposal of subsidiaries ( <i>note 12</i> )	<u>(10,611)</u>	<u>–</u>
	28,283	18,116
Exchange differences on translation of foreign operations	<u>(1,807)</u>	<u>11</u>
<b>TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE YEAR</b>	<u><u>54,899</u></u>	<u><u>(16,536)</u></u>
<b>ATTRIBUTABLE TO:</b>		
Owners of the Company	65,617	(10,009)
Non-controlling interests	<u>(10,718)</u>	<u>(6,527)</u>
	<u><u>54,899</u></u>	<u><u>(16,536)</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2013

		2013	2012
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		734,030	703,032
Prepaid land lease payments		28,063	22,852
Goodwill		4,650	4,650
Interests in associates		–	(7,833)
Intangible assets		29,204	26,366
Deposits	9	61,911	19,596
Total non-current assets		857,858	768,663
<b>CURRENT ASSETS</b>			
Assets classified as held for sale	12	–	50,482
Inventories		261,554	338,180
Accounts receivable	8	164,616	217,137
Prepayments, deposits and other receivables	9	137,609	77,977
Financial assets at fair value through profit or loss		9,706	11,800
Time deposits		89,197	79,775
Cash and bank balances		210,039	159,589
Total current assets		872,721	934,940
<b>CURRENT LIABILITIES</b>			
Accounts and bills payable, accrued liabilities and other payables	10	310,208	335,764
Interest-bearing bank borrowings	11	158,649	153,478
Due to non-controlling shareholders		37,808	17,450
Tax payable		43,118	22,095
Total current liabilities		549,783	528,787
<b>NET CURRENT ASSETS</b>		322,938	406,153
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,180,796	1,174,816

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

31 March 2013

		<b>2013</b>	2012
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,180,796</b>	1,174,816
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	11	<b>109,519</b>	154,038
Deferred tax liabilities		<b>22,004</b>	19,535
Total non-current liabilities		<b>131,523</b>	173,573
<b>NET ASSETS</b>		<b>1,049,273</b>	1,001,243
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued share capital		<b>41,875</b>	41,875
Reserves		<b>1,033,274</b>	974,526
		<b>1,075,149</b>	1,016,401
<b>Non-controlling interests</b>		<b>(25,876)</b>	(15,158)
<b>TOTAL EQUITY</b>		<b>1,049,273</b>	1,001,243

## *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, 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 2013. 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 it 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 revised HKFRSs for the first time for the current year's 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>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The adoption of the above revised HKFRSs has had no significant financial effect on these financial statements.

## 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 – Government Loans</i> <sup>2</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> <sup>2</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>4</sup>
HKFRS 10	<i>Consolidated Financial Statements</i> <sup>2</sup>
HKFRS 11	<i>Joint Arrangements</i> <sup>2</sup>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>2</sup>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i> <sup>2</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> <sup>3</sup>
HKFRS 13	<i>Fair Value Measurement</i> <sup>2</sup>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> <sup>1</sup>
HKAS 19 (2011)	<i>Employee Benefits</i> <sup>2</sup>
HKAS 27 (2011)	<i>Separate Financial Statements</i> <sup>2</sup>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> <sup>2</sup>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> <sup>3</sup>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosure for Non-Financial Assets</i> <sup>3</sup>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>2</sup>
HK(IFRIC)-Int 21	<i>Levies</i> <sup>3</sup>
<i>Annual Improvements 2009 – 2011 Cycle</i>	Amendments to a number of HKFRSs issued in June 2012 <sup>2</sup>

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

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

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2013*

<sup>3</sup> *Effective for annual periods beginning on or after 1 January 2014*

<sup>4</sup> *Effective for annual periods beginning on or after 1 January 2015*

The Group is in the process of making an assessment of the 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 mining products and materials primarily for use in panel display, mine exploration and ore processing; 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 2013 and 2012.

Group	Electrical and electronic products		Motors		Resources development		Other manufacturing activities		Eliminations		Consolidated	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Segment revenue												
Revenue from external customers	1,199,515	981,037	463,346	537,863	39,765	7,438	60,801	94,122	-	-	1,763,427	1,620,460
Intersegment sales	1,451	1,777	10,932	13,647	-	-	11,425	1,741	(23,808)	(17,165)	-	-
Other income and gains, net	4,397	7,402	10,326	18,316	900	3,164	1,326	599	-	-	16,949	29,481
Total	1,205,363	990,216	484,604	569,826	40,665	10,602	73,552	96,462	(23,808)	(17,165)	1,780,376	1,649,941
Segment results	164,527	104,230	(53,064)	(59,398)	(57,384)	(46,038)	2,266	1,225	-	-	56,345	19
Interest and unallocated gains											24,145	1,697
Unallocated expenses											(21,434)	(15,223)
Finance costs											(5,472)	(5,637)
Share of profits and losses of associates											8,268	-
Profit/(loss) before tax											61,852	(19,144)
Income tax expense											(33,429)	(15,519)
Profit/(loss) for the year											28,423	(34,663)
Segment assets	1,368,351	1,364,184	396,649	425,238	252,721	232,132	60,765	67,390	(728,858)	(697,986)	1,349,628	1,390,958
Unallocated assets											380,951	312,645
Total assets											1,730,579	1,703,603
Segment liabilities	214,997	274,864	383,953	361,164	436,965	377,792	35,785	32,921	(728,858)	(697,986)	342,842	348,755
Unallocated liabilities											338,464	353,605
Total liabilities											681,306	702,360
Other segment information:												
Depreciation and amortisation	51,209	49,934	24,474	30,176	7,343	2,627	2,623	2,935	-	-	85,649	85,672
Unallocated amounts											608	698
											86,257	86,370
Write-off of items of property, plant and equipment	-	4	409	5,279	-	-	-	-	-	-	409	5,283
Impairment of items of property, plant and equipment	-	-	6,604	-	-	-	-	-	-	-	6,604	-
Impairment/(write-back of impairment) of accounts receivable	-	-	-	2	(22)	22	-	-	-	-	(22)	24
Capital expenditure	39,718	61,654	30,957	32,971	17,503	90,939	3,971	431	-	-	92,149	185,995



## 2. SEGMENT INFORMATION (continued)

### (a) Operating segments (continued)

Group	Electrical and electronic products		Motors		Resources development		Other manufacturing activities		Eliminations		Consolidated	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Other segment information: (continued)												
Surplus on revaluation of investment properties	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated amounts											-	(8,313)
											-	(8,313)
Surplus on revaluation of land and buildings recognised directly in equity	(27,233)	(13,695)	(2,270)	(1,129)	(1,585)	(631)	(606)	(4,691)	-	-	(31,694)	(20,146)
Unallocated amounts											(15,248)	(1,507)
											(46,942)	(21,653)
Gain on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated amounts											(18,716)	-
											(18,716)	-

### (b) Geographical information

Group	United States of America		Europe		Asia		Others		Consolidated	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Segment revenue:										
Revenue from external customers	490,531	399,470	399,877	352,495	701,440	745,596	171,579	122,899	1,763,427	1,620,460

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

Group	Hong Kong		The People's Republic of China ("PRC")		Malaysia		Lao PDR		Consolidated	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Other segment information:										
Non-current assets	60,951	46,651	761,679	692,321	33,492	35,982	1,736	1,542	857,858	776,496

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

### (c) Information about major customers

Revenue of HK\$963,309,000 (2012: HK\$857,881,000) 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\$298,441,000 (2012: HK\$326,143,000) 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\$664,868,000 (2012: HK\$531,738,000) 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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b><u>Revenue</u></b>		
Manufacture and sale of:		
Electrical and electronic products	1,199,515	981,037
Motors	463,346	537,863
Materials and products from resources development	39,765	7,438
Products from other manufacturing activities	60,801	94,122
	<u>1,763,427</u>	<u>1,620,460</u>
<b><u>Other income and gains, net</u></b>		
Bank interest income	1,903	1,857
Dividend income from listed investments	480	811
Gross rental income	705	3,620
Sale of scrap materials	12,585	26,016
Gain/(loss) on disposal of items of property, plant and equipment, net	3,386	(1,788)
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	231	(3,981)
Gain on disposal of subsidiaries ( <i>note 12</i> )	18,716	–
Subsidy income *	241	–
Others	2,847	4,643
	<u>41,094</u>	<u>31,178</u>

\* *There are no unfulfilled conditions or contingencies relating to this income.*

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

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cost of inventories sold	1,537,608	1,460,434
Depreciation	78,100	79,280
Amortisation of prepaid land lease payments	587	507
Amortisation of deferred development costs	7,570	6,583
Write-off of items of property, plant and equipment	409	5,283
Impairment of items of property, plant and equipment	6,604	–
Impairment/(write-back of impairment) of accounts receivable	(22)	24
Surplus on revaluation of investment properties	–	(8,313)
Gain on disposal of subsidiaries ( <i>note 12</i> )	(18,716)	–
	<u>1,592,536</u>	<u>1,549,908</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.

#### 5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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 five 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 prior to 1 January 2008 might continue to enjoy such treatment until the fixed term expires.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	13,911	8,059
Underprovision/(overprovision) in prior years	315	(211)
Current – Elsewhere		
Charge for the year	19,151	6,007
Deferred tax	52	1,664
Total tax charge for the year	<u>33,429</u>	<u>15,519</u>

No share of tax attributable to associates (2012: Nil) is included in “Share of profits and losses of associates” on the face of the consolidated income statement.

## 6. DIVIDENDS

	2013 HK\$'000	2012 HK\$'000
<b>Dividend paid during the year</b>		
Final in respect of the financial year ended 31 March 2012		
– HK2.0 cents per ordinary share (2012: final dividend of HK4.5 cents per ordinary share, in respect of the financial year ended 31 March 2011)	<u>8,375</u>	<u>18,844</u>
<b>Proposed final dividend</b>		
Final – HK3.0 cents (2012: HK2.0 cents) per ordinary share	<u>12,562</u>	<u>8,375</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 profit for the year attributable to equity holders of the Company of HK\$39,076,000 (2012: loss of HK\$28,351,000) and 418,748,000 (2012: 418,748,000) ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 March 2013.

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

## 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 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.

## 8. 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:

	Group	
	2013	2012
	HK\$'000	HK\$'000
0 – 30 days	116,872	143,210
31 – 60 days	27,344	56,023
61 – 90 days	12,016	9,286
Over 90 days	9,226	9,490
	<hr/>	<hr/>
	165,458	218,009
Less: Impairment allowance	(842)	(872)
	<hr/>	<hr/>
	164,616	217,137
	<hr/>	<hr/>

## 9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2013	2012
	HK\$'000	HK\$'000
Deposits for mining projects	25,301	19,596
Deposit for land use rights	17,268	–
Deposits for property, plant and equipment	19,342	–
Prepayments	90,453	76,050
Other deposits	3,591	1,341
Other receivables (note 12)	42,956	–
Prepaid land lease payments	609	586
	<hr/>	<hr/>
	199,520	97,573
Less: Current portion	(137,609)	(77,977)
	<hr/>	<hr/>
Non-current portion	61,911	19,596
	<hr/>	<hr/>

# **10. 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 balances of accrued liabilities and other payables are as follows:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>80,201</b>	94,125
31 – 60 days	<b>25,738</b>	59,718
61 – 90 days	<b>32,940</b>	18,511
Over 90 days	<b>12,162</b>	5,364
	<hr/>	<hr/>
Accounts and bills payable	<b>151,041</b>	177,718
Accrued liabilities	<b>139,759</b>	133,518
Other payables*	<b>19,408</b>	24,528
	<hr/>	<hr/>
	<b>310,208</b>	335,764
	<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 2013, included in other payables, an amount of RMB5,000,000 (2012: RMB5,200,000), approximately HK\$6,024,000 (2012: HK\$6,265,000), was 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.

## 11. INTEREST-BEARING BANK BORROWINGS

### Group

	Effective interest rate	Maturity	2013 HK\$'000	2012 HK\$'000
<b>Current</b>				
Bank loans – unsecured	Hong Kong Interbank Offered Rate (“HIBOR”) +1.75% to 1.88%	2014	<b>67,990</b>	38,271
Bank loans – unsecured	HIBOR+1% to 2%	2013	–	5,207
Bank loans – unsecured	HIBOR+1% to 2%	2014	<b>90,659</b>	110,000
			<b>158,649</b>	153,478
<b>Non– current</b>				
Bank loans – unsecured	HIBOR+1.88%	2015-2016	<b>109,519</b>	154,038
			<b>268,168</b>	307,516

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.

## 12. DISPOSAL OF SUBSIDIARIES

On 26 April 2012, Kin Yat (HK) Holdings Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “Agreement”) with an independent third party (the “Purchaser”) in respect of the disposal of the entire equity interests in Newway Electrical Industries Limited (the “Disposal”), an indirect wholly-owned subsidiary of the Company, whose principal assets were the investment in a wholly-foreign-owned enterprise established in the PRC which in turn owns investment properties, to the Purchaser for a consideration of HK\$55,000,000 in cash. The final consideration was reduced by an amount of RMB1,620,000 (equivalent to HK\$2,044,000) for the Purchaser to accept partial vacant possession of the investment properties so far as the Disposal is concerned. For the year ended 31 March 2012, the investment properties mentioned above were classified as assets held for sale as at 31 March 2012. Subsequent to the end of the reporting period, on 3 June 2013, the remaining consideration of HK\$42,956,000 was fully received by the Group.

## 12. DISPOSAL OF SUBSIDIARIES (continued)

Detailed information of the Disposal was announced in the Company's announcements dated 7 May 2012, 8 February 2013 and 3 June 2013, respectively.

	<b>2013</b> <b>HK\$'000</b>
Net assets disposed of:	
Assets classified as held for sale	50,482
Deferred tax liabilities	(5,631)
	<hr/>
	44,851
Release of exchange fluctuation reserve	(10,611)
	<hr/>
	34,240
Gain on disposal of subsidiaries ( <i>note 4</i> )	18,716
	<hr/>
	52,956
	<hr/> <hr/>
Satisfied by:	
Cash received during the year	10,000
Other receivables ( <i>note 9</i> )	42,956
	<hr/>
Cash consideration	52,956
	<hr/> <hr/>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	<b>2013</b> <b>HK\$'000</b>
Cash consideration	10,000
Cash and bank balances disposed of	—
	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	10,000
	<hr/> <hr/>

## 13. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 7 June 2013, the Group succeeded in bidding for the land use rights of three parcels of land located at Dushan County, Guizhou Province, the PRC, offered for sale by the Dushan County Land and Resources Bureau ("Dushan Land Bureau") at the bid price of RMB122,020,000 (equivalent to approximately HK\$154,111,000) and executed the auction confirmation with the Dushan Land Bureau (the "Acquisition").

Pursuant to the price arrangement agreement entered into between the Company and the People's Government of the Dushan County, Guizhou Province, the PRC ("Dushan County Government") on 7 June 2013, the Dushan County Government agreed to grant the Company a monetary reward equivalent to the part of the consideration for the Acquisition in excess of RMB75,000,000 (equivalent to approximately HK\$94,725,000). Accordingly, the Company is not required to pay the portion of RMB47,020,000 (equivalent to approximately HK\$59,386,000) of the consideration for the Acquisition. As such, the remaining balance of the consideration for the Acquisition to be satisfied by the Group shall amount to RMB75,000,000 (equivalent to approximately HK\$94,725,000) which will be funded by internal resources of the Group.

Further details of the Acquisition were disclosed in the Company's announcement dated 7 June 2013.



## MANAGEMENT DISCUSSION AND ANALYSIS

Despite impacts from global economic uncertainty on our differing business streams, the Group is pleased to report a relatively solid set of results, with turnover hitting record high, for the year ended 31 March 2013 (the “FY2013”).

The Group’s operations are organised into four business segments: 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. This multi-pillar business platform supports progressive growth while helping to safeguard the Group against the risks and challenges in the sectors and markets in which it operates.

The Group is also delighted to report that the overall turnover increase was not only accounted for by increased sales from its manufacturing activities, but also the first-time major sales recorded from our natural resources development business. We welcome this as a clear signal of success in our goal to generate returns from new business initiatives in order to achieve a more balanced revenue mix.

The Group achieved a turnaround during FY2013 reflecting the sound performance of the electrical and electronic products segment, albeit offset to some extent by the losses incurred by the motors and resources development segments.

Understanding the climate we operate in, we have continued to exercise prudent cost management and to streamline our operations, while maintaining a healthy balance sheet position to support new business development initiatives.

As part of this strategy, the Group disposed of an indirect wholly-owned subsidiary which ultimately owns certain non-core underutilised 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 metres, were sold in May 2012 for a total cash consideration of HK\$53 million (after adjustment), with the first payment of HK\$10 million received in May 2012 and the final payment of HK\$43 million settled in June 2013. The disposal has allowed the Group to realise 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 businesses.

## CONSOLIDATED RESULTS

The Group's record-high turnover was boosted by sales increase of the electrical and electronic products segment and the first-time major sales recorded by the natural resources development business. Consolidated turnover amounted to HK\$1,763,427,000, an 8.8% increase over the HK\$1,620,460,000 recorded for the year ended 31 March 2012 (the "FY2012"). 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\$1,199,515,000 from the electrical and electronic products business, representing 68.0% of the consolidated turnover of the Group for the year (FY2012: HK\$981,037,000, 60.5%);
- HK\$463,346,000 from the motors business, contributing 26.3% of the total (FY2012: HK\$537,863,000, 33.2%);
- HK\$60,801,000 from other manufacturing activities, or 3.4% of the total (FY2012: HK\$94,122,000, 5.8%); and
- HK\$39,765,000 from the resources development business, accounting for 2.3% of the total (FY2012: HK\$7,438,000, 0.5%).

For FY2013, the Group reported a profit attributable to owners of the Company of HK\$39,076,000, compared to an attributable loss of HK\$28,351,000 in FY2012. Basic earnings per share for the year were HK9.33 cents (FY2012: basic loss per share of HK6.77 cents). The attributable profit in FY2013 took into account the gain on disposal of an indirect wholly-owned subsidiary which ultimately owns non-core underutilised properties in Shenzhen and the reversal of prior years' losses shared from the CDR business, the associates of the Group. During the year, the Group recorded certain one-off provisions or expenses of HK\$7,013,000 (FY2012: HK\$10,987,000) in relation to the closure of Dongguan factories. Before inclusion of one-off provisions or expenses, profit attributable to owners of the Company was HK\$46,089,000 (FY2012: loss of HK\$17,364,000).

The Group's turnaround in FY2013 was achieved on sales growth of the electrical and electronic products segment on the top line, while efficiency gains and stabilising of both material prices and the Renminbi during the first half of the year have helped the segment improve on the bottom line, albeit to some extent offset by wage increases and inflation in other cost factors.

The table below sets out the results of the Group by business segment for FY2013, together with the comparative figures of the previous year:

Segment results by business segments	HK\$		Year-on-
	FY2013	FY2012	year change %
Electrical and electronic products	164,527,000	104,230,000	+57.8
Motors <i>(Note 1)</i>	(53,064,000)	(59,398,000)	+10.7
Other manufacturing activities	2,266,000	1,225,000	+85.0
Resources development	<u>(57,384,000)</u>	<u>(46,038,000)</u>	-24.6
Total segment results	<u>56,345,000</u>	<u>19,000</u>	+296,452.6

*Note 1:* including one-off provisions or expenses of HK\$7,013,000 for FY2013 (FY2012: HK\$10,987,000)

With improved operating conditions and momentum recorded across our manufacturing segments, we have continued to invest in new business ventures for the future.

## OPERATIONAL REVIEW

### Electrical and Electronic Products Business Segment

This segment undertakes 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 in FY2013 increased by 22.3% to HK\$1,199,515,000 (FY2012: HK\$981,037,000), with sales growth generated by both the AI robotic cleaners and toys lines. Segment profit also rose 57.8% to HK\$164,527,000 (FY2012: HK\$104,230,000) as the segment margin improved.

The segment is much encouraged to report sales and earnings growth amidst uncertainties across regions exerting impacts on the already sluggish global trade and local consumption. The orders growth was achieved with the help of consistent efforts of the marketing team to engage new customers for toys and other high-end value-added items. Some new orders began to materialise and contributed to segment sales in this year.

While the manufacturing sector in the PRC continued to be affected by increases in wages and other operating expenses, the Group was able to relief some of the cost pressure by the deployment of the LEAN production process during FY2013. These factors, coupled with our continued efforts to achieve efficiency gains, have helped the segment improve on its margin.

In addition to the successful engagement of one of the giant players in the toy industry with business commencing during this financial year, we are also in active discussion with the AI line's major customer to extend our production partnership beyond the robotic vacuum cleaner category. Such discussions have yielded positive results and the segment looks forward to starting production of more categories of AI products for this customer towards the end of the financial year ending 31 March 2014 ("FY2014").

The construction of a new building in Shenzhen has been substantially completed with the installation of new machinery currently under way. These new facilities will mainly be dedicated to the expected increase in orders from the AI product line, as well as to support our active business development efforts coming into fruition in FY2014. We will continue to optimise the utilisation of our existing facilities by diversifying into new product categories.

Management is alert to the constant threat of cost inflation exacerbated by a new round of Renminbi appreciation, and will strive to offset their adverse effects by tight cost controls and efficiency improvements through constant process reengineering.

At the same time, we will continue to leverage our profile as a high-value-adding manufacturer to engage customers looking to place sophisticated high-end product orders with a reliable production partner.

The robust order book on hand and positive business developments make a strong case for an optimistic outlook for FY2014 and the next few years down the road. This segment will also continue to be a key source of cash flow contribution to support the Group's other business pursuits.

### **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 (DC), alternative-current (AC) and brushless motors to motor encoder systems.

As manufacturing activities in the PRC moderated amidst weak market sentiments, segment external turnover decreased by 13.9% year on year to HK\$463,346,000 (FY2012: HK\$537,863,000) during FY2013. With the margin under further pressure from rising wages and other operating costs, a segment loss of HK\$53,064,000 (FY2012: HK\$59,398,000) was recorded after including one-off provision or expenses of HK\$7,013,000 (FY2012: HK\$10,987,000), mainly the further write off/impairment on property, plant and equipment resulting from the closure of the facilities in Dongguan City, Guangdong Province, the PRC.

The closure of underperforming facilities in Dongguan and the subsequent integration of the production lines into the lower-cost facility base in Shaoguan and Shixing, Guangdong Province, the PRC, have yielded cost savings. However, the efficiency gains achieved from the relocation and consolidation were not sufficient to fully offset the steep rise in operating costs and the negative impact of the sales decline.

However, the efforts we have placed on furthering automation and efficiency improvement began to yield results, the operating loss in the second half has diminished, a signal of a steady improvement on the segment's margin. As the facilities integration is expected to be completed in FY2014, we look forward to more efficiency gains from greater economies of scale on sales.

Despite the difficult backdrop, the segment will strive to achieve margin improvement through expanding its revenue base. As such, the segment will continue to develop new products and to solicit new business.

Management will also continue to target on enhancing the efficiency of the segment's production lines through increased automation and procedure improvement. This will indeed be a continuous effort as the segment is pressured by the inevitable uptrend of labour and other operating costs.

We are committed to turning around the segment's performance, but we understand that the task will be a difficult one in the face of the operating challenges and subdued market demand. Management will hence continue with prudent cost management, streamlining the segment's operations, while furthering its efforts in the exploration of new avenues of business growth.

### **Other Manufacturing Activities**

This segment comprises the development, design, manufacture and sales of a broad range of feature plush and wooden toys, on both original design manufacturing (ODM) and original equipment manufacturing (OEM) bases, as well as an encoder film manufacturing production facility based in Malaysia.

The segment's external turnover decreased by 35.4% year on year during FY2013 to HK\$60,801,000 (FY2012: HK\$94,122,000) with segment profit up by 85.0% to HK\$2,266,000 (FY2012: HK\$1,225,000). It is notable that the Malaysian plant recorded a profit for the first time since its business was restarted after a two-year reengineering effort following asset acquisition in late 2010.

The decrease in turnover was mainly caused by the upgrading of the plush product items by incorporating a significant amount of electronic components, thus leading to the classification of part of these products to the electrical and electronic products business segment.

As discussed in the interim financial statements, sales in both the plush and wooden toy lines slowed in the second half of the fiscal year. However, we hold a brighter outlook for FY2014 as the segment has engaged new toy customers for its wooden product facilities. Sales are expected to grow in the coming year, and over the longer term we expect to see further improvement in the performance of this segment.

### **Resources Development Business Segment**

During the year, the segment was engaged in (i) materials development business-the development, manufacture and sale of ITO Targets; and (ii) natural resources development business with respect to mainly copper, zinc, gold, silver, antimony and iron metals.

As the natural resources development business in the PRC was still experiencing various kinds of difficulties, particularly in obtaining exploitation licences, and our exploration project in Lao PDR was in its reconnaissance survey stage, revenue from this business during the year was moderate and mainly attributable to processing activities.

Although the ITO Targets business began to see revenue being generated from low-density ITO tablet targets, the market size for this type of product would not be large enough to justify full-capacity production in our facilities. On the other hand, the high-density ITO large-size targets, which have a much larger market, are still in the product testing stage. This business segment has hence not recorded substantial revenues during the year.

Segment external turnover in FY2013 increased by 434.6% year on year to HK\$39,765,000 (FY2012: HK\$7,438,000). A segment loss of HK\$57,384,000 (FY2012: HK\$46,038,000) was incurred during the year, which was mainly attributable to the expenses incurred from our exploration activities and the initial preparatory expenses incurred by our materials development business.

While we have slowed down the pace of development of certain projects in order to channel resources into selected strategic project(s), we strive to promote revenue-generating activities through better utilisation of existing production facilities including processing of mineral ores from independent third parties.

Our exploration project in Jinshi Exploration Area (as defined below) is the one with highest potential to secure a path-to-revenue, since the proven reserves are ready for exploitation once the relevant exploitation licence is obtained. We are looking forward to such a breakthrough to boost the operational revenues and/or valuation of our natural resources development business.

### **Materials Development Business**

During FY2013, the business was principally engaged in the development, manufacture and sale of ITO Targets through Shaoguan Sigma Technology Company Limited.

The business operates two major product streams: low-density ITO tablet targets for evaporation, and high-density ITO large-size targets for sputtering. Initially, we aim to achieve a mix of 20% of our production capacity for low-density ITO tablet targets and 80% for high-density ITO large-size targets. Low-density ITO tablet targets are mainly used in the LED (light-emitting diode) illumination industry, which is expected to be expanding but has a limited market size at the moment. High-density ITO large-size targets are widely used in the LCD (liquid crystal display), TP (touch panel) and thin film industries with a much larger market size.

On the back of production facilities pilot running and being refined since August 2012, we began to test out our products and obtained qualification approval from a mix of targeted customers. During the period under review, we have focused on obtaining qualification for our product samples with targeted customers in order to build up our credentials in various dedicated end customer industries. Efforts have also been placed in promoting awareness of our “Sigma” brand.

Such efforts have started to pay off and sales orders began to filter through towards the end of FY2013. We have witnessed increasing size of and stabilising commercial sales orders for low-density ITO tablet targets from a number of customers who are amongst the top LED illumination industry players in the PRC. Commencing at the end of 2012, we have been receiving affirmative results from selected LCD TN/STN and TP customers in both the PRC and Taiwan on product functionality testing of our large-size ITO targets.



Going forward, efforts will be focused on securing long-term and stable sales orders for large-size ITO targets to maintain a stable and sizeable volume of sales. It is against this background that we will execute the next key strategies of investing upstream and in reclaim/recycling capabilities so as to lower the major material costs.

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

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

(i) Exploration and exploitation activities in

- the zinc/lead polymetallic tenement area of 24 square kilometres with an exploration licence (the “Jinshi Exploration Area”) (exclusive of designated Jinshi Exploitation Area as defined below) located in Jiangjuncha, Lantian County, Xian City, Shaanxi Province, the PRC (the “Xian Polymetallic Mine”), 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”) (inclusive of designated Wengyuan Exploitation Area as defined below) located in Xin Jiang Town, Wengyuan County, Shaoguan City, Guangdong Province, the PRC (the “Wengyuan Polymetallic Mine”), where the Group has a 100% interest;
- 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;
- an area of 2.2 square kilometres (the “designated Jinshi Exploitation Area”) in relation to the Xian Polymetallic Mine; and
- an area of 5 square kilometres (the “designated Wengyuan Exploitation Area”) (within the Wengyuan Exploration Area) in relation to the Wengyuan Polymetallic Mine.

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

- the 500 metric-tonne-per-day ore processing facilities mainly for magnetic iron located near the Wengyuan Exploration Area;
- the 300 metric-tonne-per-day ore processing plant mainly for antimony ore processing located in Dushan County, Guizhou Province, the PRC, where the Group will have a 60% interest; and
- the 2,000 to 3,000 metric-tonne-per-annum smelting plant for antimony ingots in Dushan County, where the Group will have a 60% interest.

*Exploration*

(i) The Jinshi Exploration Area

Capital investments in the Jinshi Exploration Area have been restricted to exploration work with an effort to lead to additional proven reserves outside the designated Jinshi Exploitation Area. This strategy is expected to yield multiple benefits, including additional proven reserves to augment the capital valuation reference of this project as a whole, and the mineral ores obtained from exploration activities would be test-processed in order to allow us to further verify the operational data of this project.

During the year under review, by-product mineral ores of approximately 3,000 tonnes obtained through exploration activity were test-processed by a third-party processing plant nearby. The results have provided us with a benchmark on the operational data of the project and we expect the ores through exploitation activity in the designated Jinshi Exploitation Area will yield higher metal contents as compared to this trial run.

(ii) The Wengyuan Exploration Area

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. During the year under review, the Group had completed work with respect to approximately 500 metres of exploratory tunnel in the area.

However, we have encountered complicated geological conditions where a massive broken fault zone lies in the course of our exploration work. After thorough assessment by our geologists, we decided to conduct small-scale geophysical prospecting work which will provide more information on the geological characteristics and start a new exploration plan for a new exploratory tunnel in the area. Further results are expected to be revealed in approximately six months when we reach the expected locations of mineral occurrence and veins.

(iii) The Saiyabouly Exploration Area

The initial geochemical prospecting and geophysical prospecting work planned for the project have been completed and we started geological drilling work in selected strategic locations in the tenement area of copper at the end of March 2013, which was completed in June 2013.

Going forward, we shall analyse the potential of Saiyabouly Exploration Area by reviewing all data collected from our prospecting work so far and decide on the next step of whether we shall bring any particular area within the Saiyabouly Exploration Area to its next stage of development.

*Exploitation*

(i) The designated Jinshi Exploitation Area

The progress of obtaining the relevant exploitation licence for the designated Jinshi Exploitation Area has been further delayed, as one of the key pre-requisites to obtaining an exploitation licence, being the approval from the relevant Environmental Protection Bureau, has not yet been granted. To this end, we are working closely with advisers, consultants and our local project partner to devise measures to obtain the approval. While we are determined to obtain the exploitation licence, judging from the currently available information, the management could not form a certain view that the relevant exploitation licence for the designated Jinshi Exploitation Area could be obtained.

(ii) The designated Wengyuan Exploitation Area

The obtaining of the exploitation licence for the designated Wengyuan Exploitation Area was still undergoing. The only remaining information required for the application of the exploitation licence, being the environmental protection assessment report, will be submitted around July 2013. We are working closely with advisers and consultants to achieve the results and shall update shareholders of the Company on the progress as appropriate.

*Ore Processing*

The acquisition of an ore processing plant near the location of the Jinshi Exploration Area has not materialised. We have made arrangements for the outsourcing to this processing plant of the ore by-products obtained from exploration work in the Jinshi Exploration Area for test processing. We would only revisit the possibility of acquiring this ore processing plant when we could be certain about the relevant exploitation licence for our project in Xian.

The 500 metric-tonnes-per-day ore processing facilities mainly for magnetite located near the Wengyuan Exploration Area has no operations pending commencement of exploitation in the designated Wengyuan Exploitation Area.

During the year, we conducted pilot running of the 300 metric-tonnes-per-day independent ore processing plant mainly for antimony ore processing located in Dushan County to verify operational data and fine-tune the process. Nevertheless, availability of antimony ores around the location of this plant is limited at the moment, and we have been sourcing antimony ores from provinces outside Guizhou with inevitably higher transportation costs.

To process mineral ores from sources at a considerable distance from the processing plant is only a temporary means to generate revenue given the related high transportation cost, and we have been working towards strategic alliances with certain parties who have control over antimony mineral resources in Dushan County to secure relatively low-cost feedstock for both our processing plant and smelting plant.

### *Refining and Downstream Processing*

During the year under review, the 2,000 to 3,000 metric-tonnes-per-annum smelting plant for antimony ingots in Dushan County has maintained limited operations with antimony ores sourced from third parties outside Guizhou. However, the legal process for the Group to acquire a 60% interest in the smelting plant has not been completed. Subject to the completion of the said acquisition, we plan to build a strategic alliance with local sources of antimony ores to support this operation.

In view of the prolonged investment phase of the natural resources development business, management have resolved to withhold investments in new projects to strictly control the risk exposure of the Group. The Group will exercise extreme caution in the further development of its portfolio of resources-related businesses.

### **NEW BUSINESS INITIATIVES**

On 7 June 2013, the Group succeeded in bidding for the land use rights of three land parcels at the bid price of RMB122,020,000 (approximately HK\$154,111,000). Through arrangements between the Group and the local government in Dushan County, the Group is required to pay RMB75,000,000 (approximately HK\$94,725,000) in total for the consideration of the acquisition of the land and the local government in Dushan County shall subsequently pay RMB58,620,000 (approximately HK\$74,037,000) as a reward to the Company. The Group has paid a deposit of RMB36,800,000 (approximately HK\$46,478,000) and expects to pay the remaining consideration of acquisition of the land of RMB38,200,000 (approximately HK\$48,247,000) within 60 days after the land use rights grant contract has been entered into by the Group. As at the date of this announcement, the Group expects to enter into the land use rights grant contract at around the beginning of July 2013.

The three land parcels are located in Dushan County, Guizhou Province, the PRC, with a total site area of 136,502.4 square metres, of which 83,166.24 square metres is intended for commercial and residential use with a plot ratio of not more than 2.5, and 53,336.16 square metres is intended for commercial use with a plot ratio of not more than 3.5. For residential use, the land use right is for a term of 70 years, whereas for commercial use, the land use right is for a term of 40 years.

In view of the general rising trend of the property market in Dushan County and the pace of economic development activities in the surrounding areas, the Group intends to develop the project on the land in phases in order to capture the best potential value of land and to provide a growth platform for the Group in a longer-run context.

## **PROPOSED DIVIDEND**

The Board is pleased to recommend the payment of a final dividend of HK3.0 cents (FY2012: HK2.0 cents) per share for the FY2013, representing HK\$12,562,000 (FY2012: HK\$8,375,000). The final dividend is expected to be paid on Monday, 16 September 2013 to those shareholders whose names appear on the Company's register of members on 3 September 2013, subject to the approval in the annual general meeting of the Company to be held on Monday, 26 August 2013. Based on the aforesaid recommended final dividend, the yearly dividend distributed by the Company during the FY2013 was HK3.0 cents (FY2012: HK2.0 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 2013, the Group had time deposits of HK\$89,197,000 (FY2012: HK\$79,775,000), cash and bank balances of HK\$210,039,000 (FY2012: HK\$159,589,000), and net current assets of HK\$322,938,000 (FY2012: HK\$406,153,000). As at 31 March 2013, shareholders' equity was HK\$1,049,273,000 (FY2012: HK\$1,001,243,000). Currently, total consolidated banking facilities of the Group from all banks as at 31 March 2013 amounted to approximately HK\$321,349,000 (FY2012: HK\$426,560,000), of which HK\$268,168,000 (FY2012: HK\$307,516,000) was utilised.

As at 31 March 2013, current ratio of the Group (current assets divided by current liabilities) was 1.6 times (FY2012: 1.8 times) and maintained at a healthy position, and gearing ratio (interest bearing bank borrowings divided by total shareholders' equity) was 25.6% (FY2012: 30.7%). Based on the above, the Group continued to enjoy a healthy financial position with sufficient financial resources to support its future development.

## **MATERIAL ACQUISITION AND DISPOSAL**

### **Disposal of subsidiaries**

On 26 April 2012, Kin Yat (HK) Holdings Limited (“KYHK”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “Agreement”) with an independent third party (the “Purchaser”) in respect of the disposal of the entire equity interests in Newway Electrical Industries Limited (the “Disposal”), an indirectly wholly-owned subsidiary of the Company whose principal assets were the investment in a wholly owned-foreign enterprise established in PRC which in turn owns investment properties, to the Purchaser for a consideration of HK\$55,000,000 in cash (the “Consideration”). Pursuant to the Agreement, the Purchaser paid a partial payment of the Consideration of HK\$10,000,000 and the outstanding amount of the Consideration of HK\$45,000,000 should be made on or before 31 December 2012.

At around the end of December 2012, the Purchaser requested for, inter alia, an extension of the payment date of the outstanding consideration (the “Outstanding Consideration”) due on 31 December 2012.

During the negotiation, KYHK issued, through its legal advisers, a letter to the Purchaser stating that the acceptance of late payment shall not affect the validity and enforceability of the Agreement and reconfirming KYHK’s legal entitlement on the Outstanding Consideration due on 31 December 2012.

After a careful deliberation from the board, KYHK and the Purchaser made verbal agreement in principal on 7 February 2013 to extend the payment date of the outstanding balance of HK\$45,000,000, without interest, to 30 April 2013 provided only that the Purchaser shall, in due course, present a post-dated cheque in the sum of HK\$45,000,000 due on 30 April 2013.

At around the end of April 2013, KYHK started to negotiate with the Purchaser and reached a written agreement subsequently on 21 May 2013 between the two parties that the Outstanding Consideration would be reduced by an amount of RMB1,620,000 (equivalent to HK\$2,044,000) for the Purchaser to accept partial vacant possession of the investment properties so far as the Disposal is concerned. The adjusted Outstanding Consideration of HK\$42,956,000 was paid by the Purchaser in cash to KYHK on 3 June 2013.

Detailed information of the Disposal, the extension of the payment date and final settlement from the Purchaser were announced in the Company’s announcements dated 7 May 2012, 8 February 2013 and 3 June 2013, respectively.

## **Acquisition of land use right**

On 4 May 2012, the Group had entered into an agreement with the People's Government of Dushan County, Guizhou Province, the PRC, an independent third party to acquire a 50 years' land use right of a piece of land located in Guizhou Province at a consideration of RMB16,620,000 (equivalent to HK\$20,024,000) and RMB14,332,000 (equivalent to HK\$17,268,000) was paid during the year and recorded as "Deposits" under non-current assets as at 31 March 2013.

## **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.

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

In May 2011, the Company, as a borrower, entered into two different term loan facility agreements of HK\$100 million each with two different banks (the "Lenders") for a term of 60 months and a term of 42 months, respectively.

Each of the term loan facility agreements imposes, inter alia, a condition that Mr. Cheng Chor Kit, a 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 loans shall become immediately due and repayable on demand.

## **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 Corporate Governance Code (effective from 1 April 2012) (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2013 except for the deviation from provision A.2.1 of the CG Code as described in the section "Chairman and Chief Executive Officer" in this Corporate Governance Report (the "CG Report"). The Board has also reviewed the CG Report and is satisfied that it has been in full compliance with all the requirements stipulated in the CG Report in Appendix 14 of the Listing Rules.



## **Chairman and chief executive officer**

Pursuant 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, with a high independent element in the Board, 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 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 year. The relevant employees who, because of their office in the Group, are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code.

## **DISCLOSURE OF INFORMATION OF DIRECTORS UNDER RULES 13.51(B)(1) OF THE LISTING RULES**

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of directors and supervisor of the Company subsequent to the date of the 2012 Annual Report of the Company are set out below:

As disclosed in our 2012 interim report, on 22 September 2012, Prof. Chung Chi Ping, Roy *BBS JP*, the independent non-executive director of the Company, was appointed as an independent non-executive director of KFM Kingdom Holdings Limited (Stock Code: 3816), whose shares are listed on the Main Board of the Stock Exchange on 15 October 2012.

On 23 November 2012, Mr. Wong Chi Wai, the independent non-executive director of the Company, was appointed as an independent non-executive director and the chairman of audit committee of Southwest Eco Development Limited (Stock Code: 8291), whose shares are listed on the GEM Board of the Stock Exchange on 3 December 2012.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **REVIEW OF ACCOUNTS**

The Audit Committee of the Company has met with the external auditors of the Company, Messrs. Ernst & Young and reviewed the financial results of the Group for the year ended 31 March 2013, including the accounting principles and practices adopted by the Group, and is of the opinion that the consolidated results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Friday, 23 August 2013 to Monday, 26 August 2013, 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 22 August 2013.

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 3 September 2013. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 30 August 2013 to Tuesday, 3 September 2013, 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, 29 August 2013. The payment of final dividend will be made on Monday, 16 September 2013.

## **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 2013 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 2013

*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, Vivian.*