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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

The Board of Directors (the “Board”) would like to announce the unaudited condensed consolidated results for Kin Yat Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2014 together with the comparative figures for the corresponding period in 2013. This unaudited interim financial report has been reviewed by the Audit Committee of the Company but has not been reviewed by the auditors of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited for the six months ended 30 September	
	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000
REVENUE	3	1,261,741	1,039,384
Cost of sales		(1,070,201)	(893,340)
Gross profit		191,540	146,044
Other income and gains, net	3	10,033	10,010
Selling and distribution expenses		(23,885)	(21,087)
Administrative expenses		(139,856)	(99,702)
Finance costs		(2,295)	(2,434)
PROFIT BEFORE TAX	4	35,537	32,831
Income tax expense	5	(22,618)	(17,599)
PROFIT FOR THE PERIOD		12,919	15,232
ATTRIBUTABLE TO:			
Owners of the Company		19,467	18,591
Non-controlling interests		(6,548)	(3,359)
		12,919	15,232
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7		
Basic		HK4.65 cents	HK4.44 cents
Diluted		HK4.65 cents	HK4.44 cents

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited for the six months ended 30 September	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
PROFIT FOR THE PERIOD	12,919	15,232
OTHER COMPREHENSIVE (EXPENSES)/INCOME		
<i>Other comprehensive (expenses)/income to be reclassified to income statement in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(263)	35,340
Net other comprehensive (expenses)/income to be reclassified to income statement in subsequent periods	(263)	35,340
<i>Other comprehensive expenses not to be reclassified to income statement in subsequent periods:</i>		
Release of revaluation surplus upon disposal of items of property, plant and equipment	(301)	–
Net other comprehensive expenses not to be reclassified to income statement in subsequent periods	(301)	–
OTHER COMPREHENSIVE (EXPENSES)/INCOME FOR THE PERIOD, NET OF TAX	(564)	35,340
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12,355	50,572
ATTRIBUTABLE TO:		
Owners of the Company	18,903	54,557
Non-controlling interests	(6,548)	(3,985)
	12,355	50,572

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 September 2014 <i>HK\$'000</i>	Audited 31 March 2014 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		811,574	819,106
Investment properties		5,013	5,013
Prepaid land lease payments		29,056	29,070
Goodwill		4,650	4,650
Intangible assets	8	5,147	31,041
Deferred tax assets		23,842	11,184
Deposits	10	253,559	172,272
		1,132,841	1,072,336
CURRENT ASSETS			
Inventories		368,793	356,773
Accounts receivable	9	340,328	170,794
Prepayments, deposits and other receivables	10	77,952	89,580
Financial assets at fair value through profit or loss		3,750	9,840
Time deposits		86,714	84,615
Cash and bank balances		136,857	173,797
		1,014,394	885,399
CURRENT LIABILITIES			
Accounts and bills payable, accrued liabilities and other payables	11	523,895	420,482
Interest-bearing bank borrowings	12	210,665	188,380
Due to non-controlling shareholders		38,838	38,838
Tax payable		89,707	63,731
		863,105	711,431
NET CURRENT ASSETS		151,289	173,968
TOTAL ASSETS LESS CURRENT LIABILITIES		1,284,130	1,246,304

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		Unaudited 30 September 2014	Audited 31 March 2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,284,130	1,246,304
NON-CURRENT LIABILITIES			
Other payables	<i>11</i>	94,937	44,304
Interest-bearing bank borrowings	<i>12</i>	47,500	60,000
Deferred tax liabilities		27,237	27,337
		<hr/>	<hr/>
Total non-current liabilities		169,674	131,641
		<hr/>	<hr/>
NET ASSETS		1,114,456	1,114,663
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued share capital		41,875	41,875
Reserves		1,110,040	1,103,699
		<hr/>	<hr/>
		1,151,915	1,145,574
		<hr/>	<hr/>
Non-controlling interests		(37,459)	(30,911)
		<hr/>	<hr/>
TOTAL EQUITY		1,114,456	1,114,663
		<hr/> <hr/>	<hr/> <hr/>

NOTES:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for leasehold land and buildings and financial assets at fair value through profit or loss, which have been measured at fair value, as appropriate. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2014 except as described by below. In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new HKFRSs”) issued by HKICPA which are effective for the Group’s financial year beginning on 1 April 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

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

2. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has five 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, the exploration and the processing and sale of mineral products;
- (d) real estate development; and
- (e) other manufacturing activities segment consist of the manufacturing and sale of encoder film and other miscellaneous products.

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

2. SEGMENT INFORMATION (continued)

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.

(a) Operating segments

The following table presents revenue and results for the Group's operating segments for the six months ended 30 September 2014 and 2013.

	Unaudited for the six months ended 30 September													
	Electrical and electronic products		Motors		Resources development		Real estate development		Other manufacturing activities		Eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:														
Revenue from external customers	909,863	735,074	327,618	278,267	15,681	7,562	-	-	8,579	18,481	-	-	1,261,741	1,039,384
Intersegment sales	10,537	1,079	4,881	5,442	-	-	-	-	899	6,578	(16,317)	(13,099)	-	-
Other income and gains, net	2,269	1,264	5,984	6,978	765	572	-	-	1	110	-	-	9,019	8,924
Total	922,669	737,417	338,483	290,687	16,446	8,134	-	-	9,479	25,169	(16,317)	(13,099)	1,270,760	1,048,308
Segment results	115,718	96,679	(5,184)	(18,909)	(62,149)	(30,262)	(4,027)	(3,539)	1,069	(46)	-	-	45,427	43,923
Interest and unallocated gains													1,014	1,086
Unallocated expenses													(8,609)	(9,744)
Finance costs													(2,295)	(2,434)
Profit before tax													35,537	32,831

(b) Geographical information

	Unaudited for the six months ended 30 September									
	United States of America		Europe		Asia		Others		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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	449,891	314,799	243,972	203,913	470,276	433,646	97,602	87,026	1,261,741	1,039,384

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

3. REVENUE, OTHER INCOME AND GAINS, NET

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

	Unaudited	
	for the six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Revenue		
Manufacture and sale of:		
Electrical and electronic products	909,863	735,074
Motors	327,618	278,267
Materials and products from resources development	15,681	7,562
Products from other manufacturing activities	8,579	18,481
	1,261,741	1,039,384
	1,261,741	1,039,384
Other income and gains, net		
Bank interest income	545	765
Gross rental income	405	433
Sale of scrap materials	5,972	7,188
Gain on disposal of items of property, plant and equipment, net	1,028	20
Fair value gain/(loss) on financial assets at fair value		
through profit or loss, net	371	(226)
Others	1,712	1,830
	10,033	10,010
	10,033	10,010

4. PROFIT BEFORE TAX

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

	Unaudited for the six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Depreciation	44,012	42,518
Amortisation of prepaid land lease payments	257	383
Amortisation of deferred development costs	2,535	3,252
Gain on disposal of items of property, plant and equipment, net	(1,028)	(20)
Impairment of items of property, plant and equipment	10,459	11,869
Write-off of intangible assets (<i>Note 8</i>)	23,360	–
Impairment of prepayments, deposits and other receivables (<i>Note 10</i>)	20,718	–
Write-off of items of property, plant and equipment	–	3,661
Fair value (gain)/loss on financial assets at fair value through profit or loss, net	(371)	226
Bank interest income	(545)	(765)

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. In addition, taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Unaudited for the six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Current period provision:		
Hong Kong	10,621	7,349
Elsewhere	11,997	10,596
Deferred tax	–	(346)
Total tax charge for the period	22,618	17,599

6. DIVIDENDS

Unaudited
for the six months ended
30 September
2014 2013
HK\$'000 *HK\$'000*

Dividend paid during the period

Final dividend in respect of the financial year ended 31 March 2014

— HK3.0 cents per ordinary share (2013: final dividend in respect of the financial year ended 31 March 2013 — HK3.0 cents per ordinary share)

12,562 12,562

The directors of the Company (the “Directors”) resolve not to pay an interim dividend for the six months ended 30 September 2014. (2013: Nil).

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to equity holders of the Company of HK\$19,467,000 (2013: HK\$18,591,000) and the 418,748,000 (2013: 418,748,000) ordinary shares in issue during the period.

For the period ended 30 September 2014 and 2013, as the exercise price of the Company’s outstanding share options were higher than the average market price of the Company’s ordinary shares, the outstanding share options had no dilutive effect on the earnings per share.

8. INTANGIBLE ASSETS

	Unaudited 30 September 2014 <i>HK\$'000</i>	Audited 31 March 2014 <i>HK\$'000</i>
Exploration rights and assets	23,360	23,360
Deferred development costs	5,147	7,681
	28,507	31,041
Less: Write-off *	(23,360)	—
	<u>5,147</u>	<u>31,041</u>

* The Company planned to suspend the application of the exploitation licence for the Wengyuan Exploitation Area. As a result, a write-off was provided for the total cost incurred.

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. Accounts receivable are non-interest-bearing.

9. ACCOUNTS RECEIVABLE (continued)

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

	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
0–30 days	240,598	125,087
31–60 days	72,287	30,527
61–90 days	18,928	10,476
Over 90 days	9,357	5,546
	<u>341,170</u>	<u>171,636</u>
Less: Impairment allowance	(842)	(842)
	<u><u>340,328</u></u>	<u><u>170,794</u></u>

The substantial increase in the accounts receivable is owing to the seasonal factor where usually September (30 September 2013: HK\$287,520,000) is the high season and March (31 March 2013: HK\$164,616,000) is the low season.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Deposits for mining projects	26,582	26,582
Deposits for land use rights *	126,495	94,936
Deposits for property, plant and equipment *	100,482	50,754
Prepayments	94,420	85,141
Other deposits	3,618	3,562
Prepaid land lease payments	632	877
	<u>352,229</u>	<u>261,852</u>
Less: Non-current portion	<u>(253,559)</u>	<u>(172,272)</u>
	<u>98,670</u>	89,580
Less: Impairments #	<u>(20,718)</u>	–
Current portion	<u><u>77,952</u></u>	<u><u>89,580</u></u>

* As at 30 September, 2014, the deposits included land and development costs of HK\$184,309,000 (31 March 2014: HK\$110,102,000) relating to the real estate development projects in Dushan County, Guizhou Province, the People's Republic of China (the "PRC").

In view of the forecast slow rate of return of antimony ores, an impairment provision was provided for the exclusive right of supply of antimony ores.

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

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

	Unaudited 30 September 2014 <i>HK\$'000</i>	Audited 31 March 2014 <i>HK\$'000</i>
0–30 days	113,523	102,788
31–60 days	96,182	51,524
61–90 days	43,167	35,413
Over 90 days	34,049	20,368
Accounts and bills payable	286,921	210,093
Accrued liabilities	201,055	182,853
Other payables	130,856	71,840
	618,832	464,786
Less: Current portion	(523,895)	(420,482)
Non-current portion *	94,937	44,304

* As at 30 September 2014, included in other payables, an amount of RMB75,000,000 (31 March 2014: RMB35,000,000), approximately HK\$94,937,000 (31 March 2014: HK\$44,304,000), was received in respect of the subsidies from The People's Government of the Dushan County, Guizhou Province, the PRC for the Group's real estate development project.

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.

12. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate	Maturity	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Current — unsecured				
Bank overdrafts	Hong Kong dollar prime	On demand	<u>1,447</u>	<u>2,359</u>
Bank loans	Hong Kong Interbank Offered Rate (“HIBOR”) +1.75% to 1.88%	2014–2015	<u>186,355</u>	<u>72,990</u>
Bank loans	HIBOR+1.75%	2014	<u>12,863</u>	<u>8,031</u>
Bank loans	HIBOR+1% to 2%	2014	<u>10,000</u>	<u>105,000</u>
			<u>209,218</u>	<u>186,021</u>
			<u>210,665</u>	<u>188,380</u>
Non-current — unsecured				
Bank loans	HIBOR+1.88%	2015–2016	<u>47,500</u>	<u>60,000</u>
			<u>258,165</u>	<u>248,380</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.

13. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Contracted for commitments in respect of the acquisition of items of property, plant and equipment	<u>37,344</u>	<u>46,795</u>
Contracted for commitments in respect of the investment in mining projects	<u>21,519</u>	<u>21,519</u>
Contracted for commitments in respect of the construction work relating to the real estate development activities	<u>210,232</u>	<u>–</u>

The Company did not have any other significant commitments at the end of the reporting period (31 March 2014: Nil).

14. CONTINGENT LIABILITIES

- (a) At the end of the reporting period, the Company had provided guarantees of HK\$444,320,000 (31 March 2014: HK\$432,460,000) in respect of banking facilities granted to certain of its subsidiaries, of which HK\$122,863,000 (31 March 2014: HK\$115,390,000) had been utilised as at the end of the reporting period.
- (b) On 26 March 2014, the Hong Kong Inland Revenue Department (“IRD”) issued estimated assessments (“EA”) for the year of assessment 2007/08 (which was statutorily time-barred after 31 March 2014) with total tax demanded of around HK\$16,242,000 to certain subsidiaries of the Group (“Subsidiaries”). The EA were issued as a consequence of the tax audit being carried out on the tax affairs of the Subsidiaries. The Subsidiaries lodged objections to the EA and the IRD subsequently ordered the Subsidiaries to purchase tax reserve certificates in the amount of HK\$7,875,000 and to holdover the balance on the condition that a 8% annual interest will be charged should the balance become payable upon settlement of the objection.

In the opinion of the Directors, the formal negotiation has not yet been started and there is no specific basis for adjusting the Subsidiaries’ tax position for the year of assessment 2007/08 specified in the EA. Therefore, the Directors are of the view that no tax provision of Hong Kong Profits Tax is required at this stage. The Subsidiaries will discuss with the IRD and will continue to monitor the progress of the tax audit and to defend the Subsidiaries’ tax position vigorously. Therefore, no tax provision was provided thereon at 30 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's operations are organised into five business segments under two categories. The manufacturing business category comprises three research-and-development-based production disciplines: electrical and electronic products, motors, and other manufacturing activities. The non-manufacturing category, on the other hand, is made up of the resources development and real estate development operations. This multi-pillar business platform continues to support the Group's steady and progressive development.

During the six months ended 30 September 2014 ("1H FY2015"), the Group recorded a profit attributable to owners of the Company of HK\$19,467,000, an increase of 4.7% year-on-year from HK\$18,591,000 for the six months ended 30 September 2013 ("1H FY2014"). The growth in net profit was mainly driven by higher production efficiency and increased turnover from the manufacturing business category as well as narrowed losses incurred by the motors operations, which were more than offset the negative impact from the unsatisfactory operating conditions in our resources development business segment. In 1H FY2015, there was an expense of HK\$54,537,000 (1H FY2014: HK\$11,869,000) for the impairment of assets in relation to the resources development business segment.

The Group's turnover increased by 21.4% year-on-year to HK\$1,261,741,000 for 1H FY2015 (1H FY2014: HK\$1,039,384,000), mainly contributed by increased sales from the manufacturing businesses.

The total turnover of the Group was accounted for by segmental external turnover of:

- HK\$909,863,000 from the electrical and electronic products segment, contributing 72.1% of the Group's consolidated turnover for 1H FY2015 (1H FY2014: HK\$735,074,000, 70.7%);
- HK\$327,618,000 from the motors segment, accounting for 26.0% of the total (1H FY2014: HK\$278,267,000, 26.8%);
- HK\$8,579,000 from the other manufacturing activities, or 0.7% of the total (1H FY2014: HK\$18,481,000, 1.8%);
- HK\$15,681,000 from the resources development segment, representing 1.2% of the total (1H FY2014: HK\$7,562,000, 0.7%); and
- The new real estate development business has not yet commenced property sales and hence no turnover was generated during 1H FY2015 (1H FY2014: nil, 0%).

The table below sets out the results of the Group by business segment for 1H FY2015, together with the comparative figures for the same period last year.

Results by business segment	FY2015	FY2014	Year-on-year change %
Electrical and electronic products	115,718,000	96,679,000	+19.7
Motors	(5,184,000)	(18,909,000)	NA
Resources development	(62,149,000)	(30,262,000)	NA
Real estate development	(4,027,000)	(3,539,000)	NA
Other manufacturing activities	1,069,000	(46,000)	+2,423.9
Total segment results	<u>45,427,000</u>	<u>43,923,000</u>	+3.4%

OPERATIONAL REVIEW

Manufacturing Businesses

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.

With the help of expanded production facilities and a strong order book, the segment's external turnover grew 23.8% year-on-year to HK\$909,863,000 (1H FY2014: HK\$735,074,000). Segment profit also delivered 19.7% year-on-year growth to HK\$115,718,000 (1H FY2014: HK\$96,679,000) on enhanced productivity, benefiting from increased capacity and the LEAN manufacturing system.

The order book for the robotic vacuum cleaner product line remained strong in 1H FY2015. The segment has planned well ahead in preparation for the anticipated order growth with new capacity in Shenzhen coming on stream since September 2013. The smooth operation of the new facilities, together with the furthering of the LEAN system, has helped raise the segment's overall production efficiency and reduce wastage.

With good production planning and a higher level of automation, the segment was able to mitigate the problem of labour shortage as experienced in the same period last year.

A new generation of robotic vacuum cleaners is currently under development and will be put into production towards the end of 2014. This new product series, which will command the highest price point within the current portfolio, will help the segment extend its product line further into the upper end. The segment is confident that the launch of this new product series will have the potential to move the market in the next couple of years.

In addition to the robotic vacuum cleaner series and the toys line, the segment has sought to further diversify its business by developing new products for other sectors. To this end, the segment has succeeded in soliciting new orders for baby care products which are designed to help young parents take care of their babies in an easier lifestyle.

The toys line has also successfully entered into new product development work with one of the giant players in the United States. It is expected that this new product line will support the segment's steady order growth for this current year.

The robust order book to date points to another promising and satisfactory result for the year as a whole.

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) and alternating-current (AC) to brushless motors.

Driven by higher productivity and a gradual shift towards higher-value products, the segment's external turnover increased 17.7% year-on-year in 1H FY2015 to HK\$327,618,000 (1H FY2014: HK\$278,267,000). The segment was able to improve its gross profit margin against a backdrop of stabilising raw material prices, despite the continuing trend of rising wages in the PRC. As a result, the segment's interim loss narrowed to HK\$5,184,000 (1H FY2014: loss HK\$18,909,000) including provision for preliminary setup costs for the new factory premises in Guizhou Province, the PRC.

The improved performance of the segment also reflected continued efforts to automate production to bring labour content down, as well as organisational streamlining to achieve higher efficiency and hence lower operating costs.

The segment now serves a more diversified market portfolio covering the Eurozone, the PRC, Japan and South Korea. Automobile and printer products remained the segment's growth drivers. With consistent research-and-development efforts and a higher degree of automation in place, the segment has successfully shifted its output mix towards higher-value products.

In view of gradually strengthening market demand, the segment has established an additional plant in Guizhou Province. This new plant commenced operation during 1H FY2014 and is expected to make moderate contribution to the segment's turnover.

While the growth trend in turnover will likely continue into the remainder of the year, further automation installations in the pipeline are expected to help reduce the operating loss on an annual basis.

Non-manufacturing Businesses

Real Estate Development Business

The Group is currently engaged in real estate development activities in the PRC, with a focus on the development of a residential and commercial property project located at Dushan Economic Development Zone, Dushan County, Guizhou Province, the PRC.

In its first stage of development, a top-end low-density residential property, *The Royale Cambridge Residences*, will be rolled out in phases with an aggregate saleable floor area of approximately 75,000 square metres, together with auxiliary commercial property of approximately 12,000 square metres.

During the period under review, superstructure construction work of the residential project with particular focus on phase I of it has progressed on schedule. Landscaping and construction work on the sample show flat area including interior decoration was substantially completed during the period under review.

As at the date of this announcement, the pre-requisite (including but not limited to the granting of the land use right certificate and other relevant permits) for the granting of the pre-sale permit was substantially fulfilled.

As sales have yet to commence, the segment incurred a loss of HK\$4,027,000 (1H FY2014: loss of HK\$3,539,000) which primarily reflected the administrative expenses of the operations during the period. We have positioned the development as a top-end residential project in Dushan County, one which is unequalled by existing residential projects in the locale. We will make efforts in providing more information and progressing further with construction and landscaping work to enhance the appeal of the development to local buyers.

We maintain a positive outlook for the long-term development of this segment, which is part of our overall strategy to broaden our revenue and earnings base.

Resources Development Business Segment

During the period under review, the segment was engaged in (i) natural resources development and related processing business with respect to mainly copper, zinc, gold, silver, antimony and iron metals; and (ii) materials development business with respect to the development, manufacture and sale of indium tin oxide (ITO) targets.

In view of the current operating environment and challenges facing this segment, we have to strategically allocate the Group's resources to its other business segments and have been scaling down this segment's activities in order to reduce the financial exposure of the Group and strive to devise measures to reduce the loss incurred by this business, including but not limited to consolidation and disposal.

The segment's external turnover in 1H FY2015 increased 107.4% year-on-year to HK\$15,681,000 (1H FY2014: HK\$7,562,000) with a segment loss of HK\$62,149,000 (1H FY2014: HK\$30,262,000). As a result of reducing development activities and operating scale, the segment's operating loss narrowed before the inclusion of an expense of HK\$54,537,000 (1H FY2014: HK\$11,869,000) for the impairment of property, plant and equipment, prepayments and write-off of intangible assets relating to the materials development and natural resources development business.

Materials Development Business

The ITO target business was still facing the challenges of high material costs, with indium ingot prices hovering around a high level with no signs of coming down, while prices of major market products were generally under pressure. The segment was therefore unable to pass on its cost increases to end customers. The current weak end-customer industries have also caused us to be increasingly selective in the selling of our products to avoid potential accounts receivable problems. As a result, turnover and margins of the business are expected to be restrained in the near future. For the sake of prudence, a further provision for impairment of property, plant and equipment of HK\$10,459,000 was made in the accounts (1H FY 2014: HK\$11,869,000).

Natural Resources Development Business

Given the county-wide measures taken by the local government authorities to crack down on illegal exploitation of some non-metal mines, the exploration work of the Xian polymetallic mine project was largely suspended by administrative authority. This reflects the general stringent environmental policy with respect to mining activities in Xian City, where the project is located. The management expects that the development of this project to be stagnant and the chance of obtaining the relevant exploitation licence is slim. Based on this experience, we have also suspended the application for the relevant exploitation licence of the Wengyuan polymetallic mine project and made a full provision on our total cost incurred up to 30 September 2014 for HK\$23,360,000 in the accounts of this project (1H FY2014: nil).

With respect to the Guizhou antimony processing project, the forecast rate of return of antimony ores to be supplied by our strategic alliance in Dushan County is slow, attributable to less than satisfactory exploration and exploitation results. This slower-than-planned rate of supplying ores has caused under-utilisation of our processing plant. In this connection, an impairment provision of HK\$20,718,000 was provided for the exclusive rights of supply of antimony ores (1H FY2014: nil).

The Saiyabouly copper mine project has been in the process of termination and disposal where there would not be any material impact on the accounts in future.

OUTLOOK

The management's priority remains unchanged: to build a sustainable business that delivers long-term returns to shareholders. This requires us to create an enduring competitive edge that will remain effective amid new economic realities. At the same time, we aim to achieve balanced long-term growth founded on a more diversified business portfolio. The pursuit of new business opportunities in the non-manufacturing sector will help the Group rebalance its activities and remove its reliance on production operations which are subject to pronounced cyclical economic and industry fluctuations.

The prospects of our manufacturing business category remain solid and positive. This core business line will continue to be our main revenue and profit generator, and will provide the necessary support for the Group to pursue further business opportunities to sustain long-term development.

The electrical and electronic products business segment looks forward to another promising second half and a successful year as a whole. Based on our competitive strengths built on years of development, the AI line will continue to grow in business scale and the level of production sophistication.

The motors segment also expects its turnover to continue to increase, driven by printer and automobile related products. With automation works in the pipeline for completion, the segment expects its operating loss to narrow comparatively on an annual basis.

The non-manufacturing business category will mainly be driven by the real estate development operations. However, considering the slow property market in general in the PRC and the specific local factors, sales of the units could be slower than expected, although the segment will endeavour to speed them up.

In the long run, we are steadfast in our intention to utilise this project to form a foundation for the Group's building of a brand for its real estate development business. The current project marks a pilot step towards this goal. This will also support our long-term plan of redeveloping certain land in the PRC, currently owned by the Group for industrial use, into property development projects at a future appropriate time.

We will continue to apply strict financial control to guide our activities in natural resources development. As such, the scale of operation of various projects under this unit has been reduced and tightly controlled. We also stand prepared to terminate the development of certain projects where no clear timetable for generating revenue and returns is apparent.

Overall, the Board is confident of the long-term prospects of the Group's development in its core manufacturing category, and will progress cautiously with the operation of its non-manufacturing activities. FY2015 will not be without challenges, but our management and staff teams are committed to overcoming the difficulties they face, and to exploring and thriving on the growth opportunities ahead.

LIQUIDITY AND FINANCIAL POSITION

The Group adopts a prudent and conservative policy in its financial management. During the first half of 2014, the Group consistently employed its internally generated cash flow and banking facilities to finance its operations and business development. At the end of the reporting period, the Group's aggregated time deposits and cash and bank balances amounted to HK\$223,571,000 (31 March 2014: HK\$258,412,000). Currently, the Group maintains aggregate composite banking facilities of approximately HK\$450,210,000 (31 March 2014: HK\$440,350,000) with various banks, of which HK\$258,165,000 (31 March 2014: HK\$248,380,000) has been utilised.

As at 30 September 2014, current ratio of the Group (current assets divided by current liabilities) was maintained at a healthy position of 1.2 times (31 March 2014: 1.2 times), with gearing ratio (interest bearing bank borrowings divided by total shareholders' equity) at 23.2% (31 March 2014: 22.3%). Based on the above, the Group continued to enjoy a healthy financial position with sufficient financial resources to support its future development.

CAPITAL STRUCTURE

As at 30 September 2014, the total issued share capital of the Company was HK\$41,874,800 (31 March 2014: HK\$41,874,800), comprising 418,748,000 (31 March 2014: 418,748,000) ordinary shares of HK\$0.1 each. There was no change in the share capital of the Company during the period.

There was no charge on the Group's assets as at 30 September 2014 (31 March 2014: Nil).

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong Dollars and Renminbi or United States Dollars. The exchange rates between these currencies with Hong Kong Dollars were relatively stable during the reporting period, the Group does not have a foreign currency hedging policy on it. In order to manage and minimise the foreign exchange risk, the management shall time to time review and monitor the foreign exchange exposure and will consider hedging the significant foreign currency exposure when appropriate and necessary.

The Group's financing facilities are denominated in Hong Kong Dollars and interests on bank borrowings are chargeable based on certain interest margin over the HIBOR which is therefore of floating rate in nature. The Group has not entered into any interest rate risk hedge to mitigate exposure to interest rate risks during the period.

MATERIAL ACQUISITION AND DISPOSAL

During the period, the Group was neither involved in any significant investment, nor any material acquisitions or disposals of any subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2014, the Group employed over 10,800 full-time employees, of which less than 100 of them were stationed in Hong Kong headquarters with the remaining working in the PRC and Malaysia.

The Group remunerates its employees largely in accordance with prevailing industry standards. In Hong Kong, the Group's employee benefits include staff retirement scheme, medical scheme and performance bonus. In the PRC and Malaysia, the Group provides its employee's staff welfare and allowances in accordance with prevailing labour laws. The Group has also put in place a share option scheme to motivate and reward staff with outstanding performance. At the discretion of the Board, the Group's employees will be granted the options, of which the number of options granted is determined by individual performance and level of responsibilities.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code of Securities Transactions by directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange:

(a) Interests in the Shares of the Company

Name of Director	Long position/ Short position	Capacity	Number of Ordinary Shares held	Approximate percentage of the Company's issued shares
Mr. Cheng Chor Kit	Long position	Founder of a trust	282,920,000	67.56
		Beneficial owner	(<i>Note 1</i>) 5,606,000	1.34
		Interests held by spouse	1,200,000	0.29
Mr. Fung Wah Cheong, Vincent	Long position	Beneficial owner	6,900,000	1.65
Mr. Cheng Tsz To (<i>Note 2</i>)	Long position	Beneficial owner	1,000,000	0.24

Note 1: These shares are held by Resplendent Global Limited ("Resplendent"), a company incorporated in the British Virgin Islands (the "BVI"). Padora Global Inc. ("Padora") is the beneficial owner of all the issued share capital of Resplendent. Padora is a company incorporated in BVI and is wholly-owned by Polo Asset Holdings Limited, which is ultimately owned by the trustee of a discretionary trust established by Mr. Cheng Chor Kit for his family.

Note 2: Mr. Cheng Tsz To was appointed as an executive Director on 23 June 2014.

(b) Interests in the Underlying shares of the Company

Name of Director	Long position/ short position	Capacity	Number of underlying shares in respect of share options held and approximate percentage of shareholding	Date of share options granted	Exercise Period	Exercise price per share HK\$
Mr. Fung Wah Cheong, Vincent	Long position	Beneficial owner	500,000 (0.12%)	23/7/2009	1/8/2010 – 22/7/2019	1.426
Mr. Liu Tat Luen	Long position	Beneficial owner	2,000,000 (0.48%)	4/1/2010	4/1/2013 – 3/1/2020	2.102
Mr. Wong Chi Wai	Long position	Beneficial owner	300,000 (0.07%)	29/3/2011	29/3/2011 – 28/3/2021	2.792
		Beneficial owner	500,000 (0.12%)	19/3/2013	19/3/2013 – 18/3/2023	0.974
Ms. Sun Kwai Yu, Vivian	Long position	Beneficial owner	300,000 (0.07%)	29/3/2011	29/3/2011 – 28/3/2021	2.792
		Beneficial owner	500,000 (0.12%)	19/3/2013	19/3/2013 – 18/3/2023	0.974

Save as disclosed above, as at 30 September 2014, none of the Directors nor chief executive of the Company had interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company operates share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Company’s Directors, including independent non-executive Directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any person or entity that provides research, development or other technological support to the Group, the Company’s shareholders and any non-controlling interests in the Company’s subsidiaries.

The Scheme adopted on 20 August 2002 (the “Old Share Option Scheme”) was terminated on 19 August 2012, the Company adopted a new Scheme (the “New Share Option Scheme”) at the Company’s Annual General Meeting held on 20 August 2012. Unless otherwise cancelled or amended, the New Share Option Scheme will remain in force for 10 years from that date.

Subsequent to the termination of the Old Share Option Scheme, no further option can be granted thereunder but in all other respects, the provisions of the Old Share Option Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

The following share options were outstanding under the Scheme during the period:

	Date of share options granted	Number of share options					At 30 September 2014	Exercise Period	Exercise price per share HK\$	Price of company’s share at granted date of options* HK\$
		At 1 April 2014	Granted during the period	Exercised during the period	Lapsed during the period	At 30 September 2014				
Directors										
Mr. Fung Wah Cheong, Vincent	23/7/2009	500,000	–	–	–	500,000	1/8/2010 – 22/7/2019	1.426	1.40	
Mr. Liu Tat Luen	4/1/2010	2,000,000	–	–	–	2,000,000	4/1/2013 – 3/1/2020	2.102	2.06	
Prof. Chung Chi Ping, Roy <i>BBS JP</i> #	29/3/2011	650,000	–	–	650,000	–	29/3/2011 – 28/3/2021	2.792	2.77	
	19/3/2013	950,000	–	–	950,000	–	19/3/2013 – 18/3/2023	0.974	0.95	
Mr. Wong Chi Wai	29/3/2011	300,000	–	–	–	300,000	29/3/2011 – 28/3/2021	2.792	2.77	
	19/3/2013	500,000	–	–	–	500,000	19/3/2013 – 18/3/2023	0.974	0.95	
Ms. Sun Kwai Yu, Vivian	29/3/2011	300,000	–	–	–	300,000	29/3/2011 – 28/3/2021	2.792	2.77	
	19/3/2013	500,000	–	–	–	500,000	19/3/2013 – 18/3/2023	0.974	0.95	
Other employees										
In aggregate	4/10/2006	192,000	–	–	–	192,000	4/10/2009 – 3/10/2016	1.03	1.03	
	14/3/2008	500,000	–	–	500,000	–	14/3/2009 – 13/3/2018	1.99	1.99	
	19/10/2009	500,000	–	–	–	500,000	19/10/2012 – 18/10/2019	1.55	1.55	
	29/3/2011	650,000	–	–	–	650,000	29/3/2011 – 28/3/2021	2.792	2.77	
	19/3/2013	950,000	–	–	–	950,000	19/3/2013 – 18/3/2023	0.974	0.95	
		<u>8,492,000</u>	<u>–</u>	<u>–</u>	<u>2,100,000</u>	<u>6,392,000</u>				

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

Prof. Chung Chi Ping, Roy *BBS JP* has retired as an independent non-executive Director of the Company on 25 August 2014.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section headed "Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures" and "Share option scheme" above, at no time during the six months ended 30 September 2014 period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 30 September 2014, so far as is known to any Director or chief executive of the Company, the following person had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO:

Name	Capacity of interest and nature	Number of ordinary shares held	Approximate percentage of the Company's issued shares	Number of share options held
Mr. Cheng Chor Kit	Through a controlled corporation, beneficial owner and interests held by spouse	289,726,000 <i>(Note 1, 2 and 4)</i>	69.19	–
Hallgain Management Limited ("Hallgain")	Through its controlled corporation	29,384,000 <i>(Note 3)</i>	7.02	–

Note 1: Among these share, 282,920,000 shares were held through Resplendent and 1,200,000 shares were held by the spouse of Mr. Cheng Chor Kit.

Note 2: The spouse of Mr. Cheng Chor Kit is deemed to be interested in these ordinary shares in which Mr. Cheng Chor Kit is deemed or taken to be interested for the purpose of the SFO.

Note 3: Kingboard Investments Limited ("KIL") and Kingboard Chemical Holdings Limited ("KCHL") is beneficially interested in 25,128,000 shares and 4,256,000 shares in the Company respectively. Jamplan (BVI) Limited ("Jamplan") is the beneficial owner of all the issued share capital of KIL while Jamplan is wholly-owned by KCHL, which is owned as to approximately 36.26% of the entire issued share capital of KCHL by Hallgain.

Note 4: This refers to the same block of shareholding of Mr. Cheng Chor Kit mentioned in the section headed "Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures" above.

Saved as disclosed above, as at 30 September 2014, no person, other than Mr. Cheng Chor Kit, the Directors and the chief executive of the Company were not aware of any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2014 (2013: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

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 agreement 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 loans shall become immediately due and repayable on demand.

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

The Company is committed to adopt a high standard of corporate governance which is crucial to the long-term development of the Group and to safeguard the interests of the Company's shareholders. In the opinion of the Board, the Company has complied with the Corporate Governance Code (the "CG Code") as stated in the Appendix 14 of the Listing Rules throughout the period under review, except for the following deviation:

Under the code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer shall be separated and should not be performed by the same individual. 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, where the Board members 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.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code on terms no less exacting than the required standard set out in the Model Code regarding securities transactions by the Directors.

Having made specific enquiry of the Company's Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2014. 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.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30 September 2014.

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

During the six months ended 30 September 2014, there was no change to information which is required to be disclosed by the Directors pursuant to rule 13.51(B)(1) of the Listing Rules.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is available for viewing on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at www.kinyat.com.hk. An interim report for the six months ended 30 September 2014 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

By order of the Board

Cheng Chor Kit

Chairman and Chief Executive Officer

Hong Kong, 25 November 2014

As at the date of this announcement, the Board comprises eight Directors, of which four are executive Directors, namely Mr. CHENG Chor Kit, Mr. FUNG Wah Cheong, Vincent, Mr. LIU Tat Luen and Mr. CHENG Tsz To; and four are independent non-executive Directors, namely Mr. WONG Chi Wai, Ms. SUN Kwai Yu, Vivian, Mr. CHENG Kwok Kin, Paul and Mr. CHEUNG Wang Ip.