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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 2015

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 2015 together with the comparative figures for the corresponding period in 2014. 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>	2015 HK\$'000	2014 HK\$'000
REVENUE	3	1,223,138	1,261,741
Costs of sales	5	<u>(1,078,510)</u>	<u>(1,070,201)</u>
Gross profit		144,628	191,540
Other income and gains, net	3	3,958	10,033
Selling and distribution expenses		(22,323)	(23,885)
Administrative expenses		(69,146)	(139,856)
Finance costs	4	<u>(89)</u>	<u>(2,295)</u>
PROFIT BEFORE TAX	5	57,028	35,537
Income tax expenses	6	<u>(15,735)</u>	<u>(22,618)</u>
PROFIT FOR THE PERIOD		<u>41,293</u>	<u>12,919</u>
ATTRIBUTABLE TO:			
Owners of the Company		41,695	19,467
Non-controlling interests		<u>(402)</u>	<u>(6,548)</u>
		<u>41,293</u>	<u>12,919</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>HK9.95 cents</u>	<u>HK4.65 cents</u>
Diluted		<u>HK9.94 cents</u>	<u>HK4.65 cents</u>

Details of the dividends are disclosed in note 7 to the announcement.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited for the six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
PROFIT FOR THE PERIOD	<u>41,293</u>	<u>12,919</u>
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
<i>Other comprehensive income/(expenses) to be reclassified to income statement in subsequent periods:</i>		
Exchange differences on translation of foreign operations	26	(263)
<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	<u>—</u>	<u>(301)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD, NET OF TAX	<u>26</u>	<u>(564)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>41,319</u></u>	<u><u>12,355</u></u>
ATTRIBUTABLE TO:		
Owners of the Company	41,721	18,903
Non-controlling interests	<u>(402)</u>	<u>(6,548)</u>
	<u><u>41,319</u></u>	<u><u>12,355</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 September 2015 <i>Notes</i> <i>HK\$'000</i>	Audited 31 March 2015 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		785,761	790,132
Investment properties		80,153	80,153
Prepaid land lease payments		28,188	28,564
Properties under development	9	37,326	37,326
Goodwill		4,650	4,650
Intangible assets		1,306	2,611
Deferred tax assets		32,899	32,899
Deposits	11	35,516	32,565
Total non-current assets		1,005,799	1,008,900
CURRENT ASSETS			
Properties under development	9	150,976	133,579
Inventories		305,305	289,674
Accounts receivable	10	408,800	207,359
Prepayment, deposits and other receivables	11	43,028	28,921
Financial assets at fair value through profit or loss		5,535	3,410
Time deposits		13,825	18,953
Cash and bank balances		159,570	151,762
Total current assets		1,087,039	833,658
CURRENT LIABILITIES			
Accounts and bills payables, accrued liabilities and other payables	12	642,618	448,233
Interest-bearing bank borrowings	13	71,555	146,176
Due to non-controlling shareholders		38,838	38,838
Tax payable		101,700	93,654
Total current liabilities		854,711	726,901
NET CURRENT ASSETS		232,328	106,757
TOTAL ASSETS LESS CURRENT LIABILITIES		1,238,127	1,115,657

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

		Unaudited	Audited
		30 September	31 March
		2015	2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Other payables	12	131,165	131,165
Interest-bearing bank borrowings	13	97,500	–
Deferred tax liabilities		28,759	28,731
		<hr/>	<hr/>
Total non-current liabilities		257,424	159,896
		<hr/>	<hr/>
NET ASSETS		980,703	955,761
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital		41,916	41,875
Reserves		997,484	972,181
		<hr/>	<hr/>
		1,039,400	1,014,056
		<hr/>	<hr/>
Non-controlling interests		(58,697)	(58,295)
		<hr/>	<hr/>
TOTAL EQUITY		980,703	955,761
		<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 on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standards (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The condensed consolidated financial statements have been prepared under the historical cost convention, except for the investment properties that are measured at fair value. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015 except as described 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 the HKICPA which are effective for the Group’s financial year beginning on 1 April 2015.

Amendment to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements</i> <i>2010-2012 Cycle</i>	Amendments to a number of HKFRSs
<i>Annual Improvements</i> <i>2011-2013 Cycle</i>	Amendments to a number of HKFRSs

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

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 and related products;
- (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; and
- (d) real estate development.

During the period ended 30 September 2015, the financial results of the manufacturing business of encoder film, which was reported as Other Manufacturing Activities in prior years’ financial statements, are grouped under Motor segment in order to reflect the management view of the operations. Comparative figures of the segment information have been reclassified to conform with the current period’s presentation.

2. SEGMENT INFORMATION (Continued)

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

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

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

(a) Operating segments

The following table presents revenue and results for the Group's operating segments for the six months ended 30 September 2015 and 2014.

	Unaudited for the six months ended 30 September											
	Electrical and electronic products		Motors		Resources development		Real estate development		Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	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	868,987	909,863	353,261	336,197	890	15,681	–	–	–	–	1,223,138	1,261,741
Intersegment sales	16,637	10,537	4,694	4,664	–	–	–	–	(21,331)	(15,201)	–	–
Other income and gains, net	1,399	2,269	2,891	5,985	375	765	15	–	–	–	4,680	9,019
Total	887,023	922,669	360,846	346,846	1,265	16,446	15	–	(21,331)	(15,201)	1,227,818	1,270,760
Segment results	81,367	115,718	(5,933)	(4,115)	(4,429)	(62,149)	(3,686)	(4,027)	–	–	67,319	45,427
Interest and unallocated gains											(722)	1,014
Unallocated expenses											(9,480)	(8,609)
Finance costs											(89)	(2,295)
Profit before tax											57,028	35,537

(b) Geographical information

	Unaudited for the six months ended 30 September									
	United States of America		Europe		Asia		Others		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	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	432,783	449,891	264,536	243,972	464,159	470,276	61,660	97,602	1,223,138	1,261,741

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	
	2015 HK\$'000	2014 HK\$'000
Revenue		
Manufacture and sale of:		
Electrical and electronic products	868,987	909,863
Motors	353,261	336,197
Materials and products from resources development	890	15,681
	<u>1,223,138</u>	<u>1,261,741</u>
Other income and gains, net		
Bank interest income	341	545
Gross rental income	541	405
Sale of scrap materials	2,184	5,972
Gain on disposal of items of property, plant and equipment, net	46	1,028
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	(1,098)	371
Others	<u>1,944</u>	<u>1,712</u>
	<u>3,958</u>	<u>10,033</u>

4. FINANCE COSTS

	Unaudited for the six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Interest on bank loans wholly repayable within five years	<u>89</u>	<u>2,295</u>

During the period ended 30 September 2015, interest of HK\$1,434,000 (2014: Nil) was capitalised under properties under development. Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, a capitalisation rate of 2.5% (2014: Nil) has been applied to the expenditure on the individual assets for the period ended 30 September 2015.

5. PROFIT BEFORE TAX

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

	Unaudited for the six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Cost of inventories sold	1,078,510	1,070,201
Depreciation	46,535	44,012
Amortisation of prepaid land lease payments	375	257
Amortisation of deferred development costs	4,072	2,535
Gain on disposal of items of property, plant and equipment, net	(46)	(1,028)
Impairment of items of property, plant and equipment	–	10,459
Write-off of exploration rights and assets	–	23,360
Impairment of prepayments and deposits	–	20,718
Fair value (gain)/loss on financial assets at fair value through profit or loss, net	1,098	(371)
Bank interest income	(341)	(545)
	<u>1,078,510</u>	<u>1,070,201</u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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 applicable rates of tax prevailing in the countries in which the Group operates.

	Unaudited for the six months ended 30 September	
	2015 HK\$'000	2014 HK\$'000
Current period provision:		
Hong Kong	8,947	10,621
Elsewhere	6,788	11,997
	<u>15,735</u>	<u>22,618</u>
Total tax charge for the period	<u>15,735</u>	<u>22,618</u>

7. DIVIDENDS

Unaudited	
for the six months ended	
30 September	
2015	2014
<i>HK\$'000</i>	<i>HK\$'000</i>

Dividend paid during the period

Final dividend in respect of the financial year ended
31 March 2015 – HK4.0 cents per ordinary share
(2014: final dividend in respect of the financial
year ended 31 March 2014 – HK3.0 cents per
ordinary share)

16,766	12,562
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The directors of the Company (the “Directors”) resolve not to pay an interim dividend for the six months ended 30 September 2015. (2014: Nil).

8. 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\$41,695,000 (2014: HK\$19,467,000) and the 418,936,000 (2014: 418,748,000) ordinary shares in issue during the period.

The calculation of the diluted earnings per share amount for the period ended 30 September 2015 was based on the profit for the period attributable to equity holders of the Company of HK\$41,695,000 and 419,389,000 ordinary shares, being the number of shares outstanding, adjusted for the effects of the dilutive potential ordinary shares outstanding.

For the period ended 30 September 2014, 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.

9. PROPERTIES UNDER DEVELOPMENT

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Properties under development	188,302	170,905
Less: Current portion	<u>(150,976)</u>	<u>(133,579)</u>
Non-current portion	<u><u>37,326</u></u>	<u><u>37,326</u></u>

The properties under development include costs of acquiring rights to use certain lands, which are located in Mainland China, for property development and are under medium to long term leases.

During the year ended 31 March 2015, certain properties under development of HK\$48,193,000 were impaired to reflect the decrease in net realisable value of these properties.

No further impairment was made for the period ended 30 September 2015.

10. 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. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

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

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
0 – 30 days	243,110	160,893
31 – 60 days	96,253	28,542
61 – 90 days	52,303	10,470
Over 90 days	<u>18,429</u>	<u>8,749</u>
	410,095	208,654
Less: Impairment allowance	<u>(1,295)</u>	<u>(1,295)</u>
	<u><u>408,800</u></u>	<u><u>207,359</u></u>

10. ACCOUNTS RECEIVABLE (Continued)

The substantial increase in the accounts receivable is owing to the seasonal factor where usually September (30 September 2014: HK\$340,328,000) is the high season and March (31 March 2014: HK\$170,794,000) is the low season.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Deposits for mining projects*	26,582	26,582
Deposits for property, plant and equipment	35,515	32,565
Prepayments*	81,402	75,041
Tax reserve certificate	15,375	7,875
Other deposits	4,895	4,648
Prepaid land lease payments	750	750
	164,519	147,461
Less: Impairments*	(85,975)	(85,975)
	78,544	61,486
Less: Current portion	(43,028)	(28,921)
Non-current portion	35,516	32,565

* At 31 March 2015, included in the above impairment provision for deposits for mining projects and prepayments for the exclusive right of supply of antimony ores of HK\$25,678,000 and HK\$60,297,000, respectively.

No further impairment was made for the period ended 30 September 2015.

12. ACCOUNTS AND BILLS PAYABLES, ACCRUED LIABILITIES AND OTHER PAYABLES

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

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
0 – 30 days	163,600	74,240
31 – 60 days	116,458	35,040
61 – 90 days	67,906	48,616
Over 90 days	<u>34,894</u>	<u>47,006</u>
Accounts and bills payables	382,858	204,902
Accrued liabilities	226,644	190,405
Other payables	<u>164,281</u>	<u>184,091</u>
	773,783	579,398
Less: Current portion	<u>(642,618)</u>	<u>(448,233)</u>
Non-current portion*	<u><u>131,165</u></u>	<u><u>131,165</u></u>

The accounts and bills payables and other payables are non-interest-bearing and are normally settled within credit terms of two months, extending up to three months.

- * At 30 September 2015, included in other payables was an amount of RMB103,620,000 (31 March 2015: RMB103,620,000), approximately HK\$131,165,000 (31 March 2015: HK\$131,165,000), which was received in respect of the subsidies from The People's Government of the Dushan County, Guizhou Province ("Dushan Government"), the PRC for the Group's investment projects in Dushan County, Guizhou Province, the PRC. The Group was in the process of finalising the conditions of these subsidies with the Dushan Government.

13. INTEREST-BEARING BANK BORROWINGS

	Unaudited 30 September 2015			Audited 31 March 2015		
	Effective interest rate	Maturity	HK\$'000	Effective interest rate	Maturity	HK\$'000
Current – unsecured						
Bank loans	Hong Kong Interbank Offered Rate ("HIBOR") + 1.88%	2016	2,500	HIBOR + 1.88%	On demand	60,000
Bank loans	HIBOR + 1.75%	2015	9,055	HIBOR + 1.75%	2015	4,067
Bank loans	HIBOR + 1% to 1.85%	2015	60,000	HIBOR + 1% to 2%	On demand	82,109
			<u>71,555</u>			<u>146,176</u>
Non-current – unsecured						
Bank loans	HIBOR + 1.88%	2016 – 2020	97,500	–	–	–
			<u>169,055</u>			<u>146,176</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 denominated in Hong Kong dollars.

During the year ended 31 March 2015, the Group and the Company were technically in breach of a covenant under a loan agreement with a bank, as the ratio of the consolidated loss before interest, taxes, depreciation and amortisation to the consolidated finance charges (the "Financial Ratio") was less than the required ratio by the bank. Subsequent to the year ended 31 March 2015, the Group and the Company have successfully obtained a written consent from the bank, to waive the rights entitling them to declare the relevant outstanding loan balance immediately due and payable due to the breach of the loan covenant on the Financial Ratio.

At 30 September 2015, the Group and the Company met all the bank covenants of all bank loan agreements, and therefore, the bank loans have been classified according to the repayment schedules of the related bank loans.

14. COMMITMENTS

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

	Unaudited 30 September 2015 HK\$'000	Audited 31 March 2015 HK\$'000
Contracted for commitments in respect of the acquisition of items of property, plant and equipment	<u>14,649</u>	<u>27,356</u>
Contracted for commitments in respect of properties under development	<u>183,742</u>	<u>187,174</u>

The Group had outstanding commitments amounting to HK\$1,334,000 (31 March 2015: HK\$1,296,000) as at the end of the reporting period in respect of irrevocable letters of credit.

15. CONTINGENT LIABILITIES

- (a) At the end of the reporting period, the Company had provided guarantees of HK\$655,100,000 (31 March 2015: HK\$427,800,000) in respect of banking facilities granted to certain of its subsidiaries, of which HK\$68,022,000 (31 March 2015: HK\$86,176,000) 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 years of assessment 2007/08 (which was statutorily time-barred after 31 March 2014) with total tax demanded of approximately 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. During the year ended 31 March 2015, the Subsidiaries lodged objections to the EA and the IRD ordered the Subsidiaries to purchase tax reserve certificates (“TRC”) in the amount of HK\$7,875,000 and to holdover the balance on the condition that an 8% annual interest will be charged should the balance become payable upon settlement of the objection.

On 18 March 2015, the IRD issued another EA for the years of assessment 2008/09 (which was statutorily time-barred after 31 March 2015) with total tax demanded of approximately HK\$17,325,000 to the Subsidiaries. The Subsidiaries lodged objections to the EA and the IRD subsequently ordered the Subsidiaries to purchase additional TRC in the amount of HK\$7,500,000 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 years of assessment 2007/08 and 2008/09 specified in the EA. Therefore, the directors are of the view that no tax provision for 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 were provided thereon at 30 September 2015 (31 March 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the research-and-development-based production of electrical and electronic products and motors. The non-manufacturing category currently comprises real estate development and resources development operations.

During the six months ended 30 September 2015 (“1H FY2016”), the Group recorded a profit attributable to owners of the Company of HK\$41,695,000, a year-on-year increase of 114% from HK\$19,467,000 for the six months ended 30 September 2014 (“1H FY2015”). The increase in profit was mainly attributable to the absence of one-off impairment losses on assets and the written-off of intangible assets aggregating to HK\$54,537,000 as recorded in 1H FY2015. The core electrical and electronic products business segment contributed a stable stream of earnings to the Group.

The Group’s turnover slightly decreased by 3% year-on-year to HK\$1,223,138,000 for 1H FY2016 (1H FY2015: HK\$1,261,741,000).

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

- HK\$868,987,000 from the electrical and electronic products segment, representing 71.0% of the Group’s consolidated turnover for 1H FY2016 (1H FY2015: HK\$909,863,000, 72.1%);
- HK\$353,261,000 from the motors segment, contributing 28.9% of the total (1H FY2015: HK\$336,197,000, 26.7%); and
- HK\$890,000 from the resources development segment, representing 0.1% of the total (1H FY2015: HK\$15,681,000, 1.2%).
- The real estate development business has commenced property pre-sales with no turnover generated during 1H FY2016 (1H FY2015: nil, 0%).

The table below sets out the results of the Group by business segment for 1H FY2016, together with the comparative figures for the same period last year.

Results by business segment	1H FY2016 HK\$'000	1H FY2015 HK\$'000	Year-on- year change %
Electrical and electronic products	81,367	115,718	-29.7
Motors	(5,933)	(4,115)	NA
Resources development	(4,429)	(62,149)	NA
Real estate development	(3,686)	(4,027)	NA
Total segment results	<u>67,319</u>	<u>45,427</u>	<u>+48.2</u>

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 home appliances. The segment's research-and-development and production platforms are mainly in Shenzhen, Shixing and Shaoguan, Guangdong Province, the People's Republic of China (the "PRC").

The segment's external turnover for the first half was slightly down 4.5% year-on-year to HK\$868,987,000 (1H FY2015: HK\$909,863,000). Segment profit declined to HK\$81,367,000 (1H FY2015: HK\$115,718,000) mainly due to a drop in the sales of products with higher profit margin.

Segment turnover showed a slight drop from the previous corresponding period, but management is confident that the segment will be able to catch up with production during the remaining of the year. Material prices have stabilised to a low level compared to a couple of years ago, yielding some improvement to the profit margin.

In addition to new capacities coming on stream in Shenzhen, the PRC, the segment was also able to increase productivity through the implementation of the LEAN manufacturing methodology. This production control methodology has helped set up the Group's production facilities in a more systematic way, resulting in higher efficiency and more consistent quality of output.

The segment's production competence, together with its multi-year experience in the manufacturing of vacuum cleaning robots, has enabled it to build specialised skill sets in AI manufacturing. During 1H FY2016, the segment embarked on a product transformation and production line upgrade programme to advance its expertise further in meeting the demands of the industry's upcoming era of robotics technology and manufacturing.

The deployment of robots within the segment's facilities has enabled faster and lower-cost production, as well as a higher level of precision. Equipped with this smarter production platform, the segment is developing an expanded product portfolio for a broader clientele. It is currently working with a few new customers on higher technology-based products with innovative designs, for application on smartphones and apps.

The segment is on track to move into a new competence level of robotics manufacturing. Management is confident of the continued earnings potential of this core business segment.

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 and encoder film and systems. The new production facility in Dushan County, Guizhou Province, the PRC, has been expanding its production capacity to help enhance the economies of scale as a whole.

On the back of stable orders and increased capacity, the segment's external turnover rose 5.1% year-on-year in 1H FY2016 to HK\$353,261,000 (1H FY2015: HK\$336,197,000). However, the interim loss widened slightly to HK\$5,933,000 (1H FY2015: loss of HK\$4,115,000) owing to initial operating losses incurred by the newly set up production facility in Guizhou Province.

As regards the motor factory in Shixing, Guangdong Province, continued efforts put into raising its level of automation have yielded a reduced labour content and higher worker efficiency as measured by increased output per capita. Investments in automation and efficiency improvement have resulted in increased output to support higher production volume requirements.

Productivity enhancements are expected to continue into the second half, although the segment may take some more time to bring its Guizhou facility to profitability and to achieve turnaround. As the segment is expected to see further turnover growth, management will strive to narrow the loss as segmental margin is improved on higher economies of scale, in particular in the automobile and precision instruments sectors.

In addition to production process automation, the segment will also continue to invest in vertical integration in order to gain cost savings and sourcing advantage. This will help strengthen the segment's competitive position.

Holding a cautiously positive outlook for the overall economy, the segment looks forward to achieving a stable performance while anticipating further upside potential.

Non-manufacturing Businesses

Real Estate Development Business Segment

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

During 1H FY2016, superstructure construction and landscaping works continued on a reduced scale of residential development, pre-sales revenue from property development activities has yet to be booked. A loss of HK\$3,686,000 (1H FY2015: loss of HK\$4,027,000) was therefore recorded, mainly attributable to administrative expenses.

Recently, new incentive policies implemented by the PRC government such as interest rate cuts and tax benefits have provided dynamics to the property market but improvement is yet to be observed. The management is cautious as the property prices in lower-tier cities are relatively soft at the moment.

In view of the sluggish response to property pre-sales, the segment expects to take a longer time span for the development of this project. The Board holds a long-term view on capturing the value of the project.

Resources Development Business Segment

Given the substantial decrease in relevant commodity prices which rendered the segment unprofitable, segment activities were kept to a basic level, with most of the projects in the process of being terminated. As a result, segment turnover dropped to HK\$890,000 (1H FY2015: HK\$15,681,000). Segment loss narrowed to HK\$4,429,000 (1H FY2015: HK\$62,149,000) mainly due to the absence of one-off impairment losses on assets and the written-off of intangible assets aggregating to HK\$54,537,000 as recorded in 1H FY2015. The loss incurred for the period included a non-cash item of provision on the stock of the ITO operations.

Going forward, all smaller projects under this segment will be first terminated or disposed of as when and where appropriate. No material impact on cash flow or the profit and loss account is expected as a result of the termination or disposal, given that the Group has written down the asset value of the projects and businesses.

OUTLOOK

The Group has a strong background in high-technology production. Based on this foundation, it is now taking the core manufacturing business to new competence levels. The electrical and electronic products business segment will utilise its sophisticated facilities dedicated to robotic products to strengthen its leading and specialised position in the AI arena.

With years of investments in the installation of automated processes and the more recent deployment of industrial robots, the Group looks forward to building a new competitive advantage in the future chapter of robotics manufacturing.

The Group's core strength is also built on a vertical set-up and highly efficient LEAN manufacturing system, which will drive further improvement in the performance of the motors business segment. Management's longer-term goal is to expand the segment's capacity and to achieve profitability.

As commodity prices and the Renminbi have become more stabilised, the Group maintains a positive outlook for its manufacturing operations in FY2016. With an emphasis on resources reallocation and control, the Group will continue to make the necessary changes to various business segments to streamline and manage its operations. It will apply strict financial control on investments in and operation of its non-manufacturing activities. Specifically, management will strategise to reduce the impact of underperforming operations on the financial position of the Group by consolidation, disposal of or termination of certain non-core operations or businesses.

In the face of fragile global economic conditions, the Group will stay alert to potential threats that may have an impact on its businesses. Overall, the Board remains confident of the ongoing prospects of the Group.

Looking ahead, the core manufacturing category will continue to produce solid results and is making exciting new moves into the promising arena of robotics manufacturing, while the non-manufacturing business is maintained under limited financial exposure. Commanding a strong financial position, the Group is well placed to pursue further growth opportunities for the long-term interest of the shareholders.

LIQUIDITY AND FINANCIAL POSITION

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 30 September 2015, the Group had time deposits of HK\$13,825,000 (31 March 2015: HK\$18,953,000), cash and bank balances of HK\$159,570,000 (31 March 2015: HK\$151,762,000), and net current assets of HK\$232,328,000 (31 March 2015: HK\$106,757,000). As at 30 September 2015, shareholders' equity was HK\$980,703,000 (31 March 2015: HK\$955,761,000). Total consolidated banking facilities (including trade finance facilities) of the Group from all banks as at 30 September 2015 amounted to approximately HK\$758,700,000 (31 March 2015: HK\$447,700,000), of which HK\$169,055,000 (31 March 2015: HK\$146,176,000) was utilised.

As at 30 September 2015, the interest-bearing bank borrowings of the Group were in the sum of HK\$169,055,000 (31 March 2015: HK\$146,176,000) of which HK\$71,555,000 (31 March 2015: HK\$146,176,000) was repayable within one year and the remaining balance of HK\$97,500,000 (31 March 2015: nil) was repayable within second to fifth years.

As at 30 September 2015, the current ratio of the Group (current assets divided by current liabilities) was maintained at a healthy position at 1.3 times (31 March 2015: 1.1 times) and the gearing ratio of the Group (total interest-bearing bank borrowings divided by total equity) was 17.2% (31 March 2015: 15.3%). 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 2015, the total issued share capital of the Company was HK\$41,916,000 (31 March 2015: HK\$41,875,000), comprising 419,160,000 (31 March 2015: 418,748,000) ordinary shares of HK\$0.1 each.

During the reporting period, the Company repurchased and cancelled a total number of 138,000 ordinary shares of the Company (31 March 2015: Nil), and the Company issued 550,000 ordinary shares (31 March 2015: Nil) upon exercise of share options granted to an employee under the share option scheme of the Company.

CHARGE ON THE GROUP'S ASSETS

There was no charge on the Group's assets as at 30 September 2015 (31 March 2015: Nil).

FOREIGN CURRENCY EXPOSURE

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 from time to time review and monitor the foreign exchange exposure and will consider hedging the significant foreign currency exposure when appropriate and necessary.

MATERIAL ACQUISITION AND DISPOSAL

During the reporting 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 2015, the Group employed over 11,000 full-time employees, of which less than 100 of them were stationed in Hong Kong headquarters with the remaining working in the PRC and Malaysia.

The remuneration committee of the Company reviewed and determined the remuneration package of individual executive Director and senior management of the Company with reference to the Board's corporate goals and objectives, responsibilities and employment conditions elsewhere within the Group.

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 2015, 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 of Hong Kong Limited (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, were as follows:

(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 (Note 1)	67.50
		Beneficial owner	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	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.

(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
Dr. 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 2015, none of the Directors nor chief executive of the Company had interests and 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:

Number of share options							Exercise period	Exercise price per share HK\$	Price of company's share at granted date of option* HK\$
Date of share option granted	At 1 April 2015	Granted during the period	Exercised during the period	Forfeited and lapsed during the period	At 30 September 2015				
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
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
Dr. 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
	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	–	(550,000)	–	400,000	19/3/2013 – 18/3/2023	0.974	0.95
		6,392,000	–	(550,000)	–	5,842,000			

* 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.

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 2015 period were there any 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 2015, 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, were as follows:

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 (Note 1, 2 and 3)	69.13	–
Hallgain Management Limited (“Hallgain”)	Through its controlled corporation	28,024,000 (Note 4)	6.69	–

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: 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.

Note 4: Kingboard Investments Limited (“KIL”) and Kingboard Chemical Holdings Limited (“KCHL”) is beneficially interested in 24,538,000 shares and 3,486,000 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 37.00% of the entire issued share capital of KCHL by Hallgain.

Save as disclosed above, as at 30 September 2015, other than Mr. Cheng Chor Kit, whose interests are set out in the section headed “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures” above, the Directors were not aware of any person who had an interest or short position in the shares, underlying shares and debentures 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 2015 (2014: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the reporting period, the Company repurchased on the Stock Exchange, a total of 138,000 ordinary shares of the Company (the “Buyback Shares”) at a price range of HK\$1.00 to HK\$1.18 per share. The aggregate consideration for the Buyback Shares is approximately HK\$146,000 which was funded from internal resources of the Company. The Buyback Shares were cancelled on 28 July 2015.

Saved as disclosed above, 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 and September 2015, the Company, as a borrower, entered into a renewed and a new term loan facility agreements of HK\$100 million each with 2 different banks (the “Lender(s)”) for a term of 60 months and a term of 36 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 (as defined under the Listing Rules) 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 (the “Specific Performance Obligations”). A breach of the Specific Performance Obligations will constitute an event of default under the relevant facility letter. Upon the occurrence of such event, each of the loan shall become immediately due and repayable on demand.

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 2015. 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 2015.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors since the date of the 2015 Annual Report of the Company is set out below:

Mr. Cheng Kwok Kin, Paul, being an independent non-executive Director resigned, with effect on 5 October 2015, as an independent non-executive director of Forterra Real Estate Pte. Ltd. which is a trustee manager of Forterra Trust (“Forterra”), a registered business trust formerly listed on the Singapore Exchange Securities Trading Limited (the “Singapore Stock Exchange”). Forterra was delisted from the Singapore Stock Exchange on 13 February 2015 and deregistered under the Business Trusts Act (Cap. 31A) of Singapore with effect from 31 August 2015, following the completion of a mandatory cash offer for Forterra which commenced in November 2014 by its largest unitholder, a member of the Nan Fung Group (“Nan Fung”), resulting in Nan Fung holding all of the issued units of Forterra.

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

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 2015 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, 26 November 2015

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, Dr. SUN Kwai Yu, Vivian, Mr. CHENG Kwok Kin, Paul and Mr. CHEUNG Wang Ip.