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# KIN YAT HOLDINGS LIMITED

## 建溢集團有限公司

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 638)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

The Board of Directors (the “Board”) of Kin Yat Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2017, together with the comparative figures for the previous corresponding year and the relevant explanatory notes, as set out below:

#### CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>REVENUE</b>	3	<b>2,472,193</b>	2,317,504
Cost of sales		<u>(2,104,340)</u>	<u>(2,029,300)</u>
Gross profit		<b>367,853</b>	288,204
Other income and gains, net	3	<b>22,235</b>	18,061
Selling and distribution expenses		<b>(45,027)</b>	(42,151)
Administrative expenses		<b>(163,071)</b>	(153,746)
Other gains/(expenses), net		<b>64,944</b>	(141,766)
Finance costs		<u><b>(1,645)</b></u>	<u>(176)</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>	4	<b>245,289</b>	(31,574)
Income tax expense	5	<u><b>(49,048)</b></u>	<u>(40,103)</u>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<u><b>196,241</b></u>	<u>(71,677)</u>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<b>196,375</b>	(69,843)
Non-controlling interests		<u><b>(134)</b></u>	<u>(1,834)</u>
		<u><b>196,241</b></u>	<u>(71,677)</u>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	7		
Basic		<u><b>HK46.53 cents</b></u>	<u>HK(16.67) cents</u>
Diluted		<u><b>HK46.31 cents</b></u>	<u>HK(16.67) cents</u>

Details of the dividends paid and proposed for the year are disclosed in note 6.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>196,241</b>	<b>(71,677)</b>
<b>OTHER COMPREHENSIVE EXPENSE:</b>		
<i>Other comprehensive expense to be reclassified to the income statement in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(61,550)	(20,409)
Release of exchange fluctuation reserve upon disposal of subsidiaries	(2,063)	(468)
Net other comprehensive expense to be reclassified to the income statement in subsequent periods	(63,613)	(20,877)
<i>Other comprehensive income/(expense) not to be reclassified to the income statement in subsequent periods:</i>		
Revaluation surplus, net	6,189	7,638
Deferred tax debited to asset revaluation reserve	(1,439)	(1,845)
Net other comprehensive income not to be reclassified to the income statement in subsequent periods	4,750	5,793
<b>OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX</b>	<b>(58,863)</b>	<b>(15,084)</b>
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR</b>	<b>137,378</b>	<b>(86,761)</b>
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the Company	134,407	(86,336)
Non-controlling interests	2,971	(425)
	<b>137,378</b>	<b>(86,761)</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		681,050	692,536
Investment properties		42,173	46,305
Prepaid land lease payments		23,478	25,231
Properties under development		45,089	19,701
Goodwill		4,650	4,650
Deferred tax assets		36,694	40,918
Prepayments and deposits		94,705	34,309
Total non-current assets		927,839	863,650
<b>CURRENT ASSETS</b>			
Properties under development		200,287	155,934
Inventories		328,061	333,681
Accounts and bills receivable	8	336,522	222,191
Prepayments and deposits		50,984	42,495
Financial assets at fair value through profit or loss		20,256	10,648
Tax recoverable		856	641
Time deposits		6,430	6,565
Cash and bank balances		282,588	204,948
Total current assets		1,225,984	977,103
<b>CURRENT LIABILITIES</b>			
Accounts payables, accrued liabilities, other payables and deferred income	9	632,276	509,234
Interest-bearing bank borrowings		274,310	188,507
Due to non-controlling shareholders		34,570	38,056
Tax payable		70,263	60,339
Total current liabilities		1,011,419	796,136
<b>NET CURRENT ASSETS</b>		214,565	180,967
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,142,404	1,044,617
<b>NON-CURRENT LIABILITIES</b>			
Deferred income	9	140,550	157,018
Interest-bearing bank borrowings		65,000	—
Deferred tax liabilities		30,543	30,223
Total non-current liabilities		236,093	187,241
<b>NET ASSETS</b>		906,311	857,376
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Share capital		42,836	41,916
Reserves		912,301	874,180
		955,137	916,096
Non-controlling interests		(48,826)	(58,720)
<b>TOTAL EQUITY</b>		906,311	857,376

## NOTES

### 1.1 BASIS OF PREPARATION

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

### 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

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

### 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 robotics, electrical appliances, electronic toys and related products;
- (b) the motors segment consists of the manufacture and sale of motors and encoder film;
- (c) the real estate development; and
- (d) the resources development segment consists of the manufacture and sale of materials primarily for use in panel display, the exploration, processing and sale of mineral products.

## 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 consolidated financial statements.

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

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

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

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

### (a) Operating segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 March 2017 and 2016.

	Electrical and electronic products		Motors		Real estate development		Resources development		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	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	1,734,190	1,622,773	737,992	693,855	-	-	11	876	-	-	2,472,193	2,317,504
Intersegment sales	39,108	32,792	5,712	9,259	-	-	-	-	(44,820)	(42,051)	-	-
Other income and gains/(losses), net	3,897	2,642	17,646	9,000	9	14	(4,569)	8,460	-	-	16,983	20,116
Total	1,777,195	1,658,207	761,350	712,114	9	14	(4,558)	9,336	(44,820)	(42,051)	2,489,176	2,337,620
Segment results	168,292	87,838	43,677	(22,056)	61,673	(65,573)	(7,823)	(5,390)	-	-	265,819	(5,181)
Interest and unallocated gains/(losses)											5,252	(2,055)
Unallocated expenses											(24,137)	(24,162)
Finance costs											(1,645)	(176)
Profit/(loss) before tax											245,289	(31,574)
Income tax expense											(49,048)	(40,103)
Profit/(loss) for the year											196,241	(71,677)
Segment assets	2,077,985	1,907,906	760,026	678,197	282,547	223,227	32,864	36,850	(1,387,175)	(1,297,769)	1,766,247	1,548,411
Unallocated assets											387,576	292,342
Total assets											2,153,823	1,840,753
Segment liabilities	405,674	289,469	1,013,720	938,578	365,700	350,417	406,265	423,767	(1,387,175)	(1,297,769)	804,184	704,462
Unallocated liabilities											443,328	278,915
Total liabilities											1,247,512	983,377
Other segment information:												
Capital expenditure	50,767	45,290	55,962	48,154	17	-	386	-	-	-	107,132	93,444
Depreciation and amortisation	49,074	69,195	29,053	33,878	309	328	1,286	1,858	-	-	79,722	105,259
Unallocated amounts											1,080	1,141
											80,802	106,400
Loss/(gain) on disposal of items of property, plant and equipment, net	(4)	(25)	20	(22)	-	-	-	-	-	-	16	(47)
Write-off of items of property, plant and equipment	1,017	3,401	-	2,153	-	-	505	838	-	-	1,522	6,392

## 2. SEGMENT INFORMATION (continued)

### (a) Operating segments (continued)

	Electrical and electronic products		Motors		Real estate development		Resources development		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information: (continued)												
Write-off of prepaid land lease payments	-	-	-	-	-	-	-	2,098	-	-	-	2,098
Write-off of prepayments and deposits	-	85	-	1,242	-	-	-	137	-	-	-	1,464
Impairment of items of property, plant and equipment	-	47,275	-	22,781	-	-	-	158	-	-	-	70,214
Impairment of prepayments and deposits	-	-	122	296	-	-	-	1,532	-	-	122	1,828
Impairment/(write-back of impairment) of properties under development	-	-	-	-	(66,950)	28,278	-	-	-	-	(66,950)	28,278
Impairment of accounts receivable	-	-	-	388	-	-	-	872	-	-	-	1,260
Impairment/(write-back of impairment) of inventories, net	4,048	3,255	(6,845)	9,788	-	-	(148)	2,757	-	-	(2,945)	15,800
Deficit/(surplus) on revaluation of land and buildings recognised directly in equity	937	(3,053)	(2,009)	(3,236)	-	-	(1,037)	(1,709)	-	-	(2,109)	(7,998)
Unallocated amounts											(4,080)	360
											(6,189)	(7,638)
Loss from changes in fair value of investment properties	-	-	-	-	-	31,492	-	-	-	-	-	31,492
Unallocated amounts											362	-
											362	31,492

### (b) Geographical information

	United States of America		Europe		Asia		Others		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	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	874,887	836,150	513,686	466,382	965,907	897,029	117,713	117,943	2,472,193	2,317,504

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

	Hong Kong		Mainland China		Malaysia		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:								
Non-current assets	74,578	60,751	791,858	732,887	24,709	29,094	891,145	822,732

The non-current assets for the above segment information consist of property, plant and equipment, investment properties, prepaid land lease payments, properties under development, goodwill, prepayments and deposits, but exclude deferred tax assets.

### (c) Information about major customers

Revenue of HK\$1,447,651,000 (2016: HK\$1,238,327,000) was derived from sales of electrical and electronic products to a major customer, which accounted for over 10% of the Group's total revenue.

### 3. REVENUE, OTHER INCOME AND GAINS, NET

Revenue 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:

	2017 HK\$'000	2016 HK\$'000
<b>Revenue</b>		
Manufacture and sale of:		
Electrical and electronic products	1,734,190	1,622,773
Motors	737,992	693,855
Materials and products from resources development	11	876
	<u>2,472,193</u>	<u>2,317,504</u>
<b>Other income and gains, net</b>		
Bank interest income	804	827
Dividend income from financial assets at fair value through profit or loss	906	162
Gross rental income	377	775
Sale of scrap materials	2,122	3,041
Gain/(loss) on disposal of items of property, plant and equipment, net	(16)	47
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	3,542	(3,042)
Subsidy income *	14,825	4,126
Gain/(loss) on disposals of subsidiaries	(2,471)	8,041
Others	2,146	4,084
	<u>22,235</u>	<u>18,061</u>

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

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

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

	2017 HK\$'000	2016 HK\$'000
Cost of inventories sold	2,104,340	2,029,300
Depreciation	80,163	91,744
Amortisation of prepaid land lease payments	639	741
Amortisation of deferred development costs	—	13,915
Loss/(gain) on disposal of items of property, plant and equipment, net	16	(47)
Write-off of items of property, plant and equipment*	1,522	6,392
Write-off of prepaid land lease payments*	—	2,098
Write-off of prepayments and deposits*	—	1,464
Impairment of items of property, plant and equipment*	—	70,214
Impairment of prepayments and deposits*	122	1,828
Impairment/(write-back of impairment) of properties under development*	(66,950)	28,278
Impairment of accounts receivable	—	1,260
Impairment/(write-back of impairment) of inventories, net	(2,945)	15,800
Loss from changes in fair value of investment properties*	362	31,492

\* The amounts are included in "Other gains/(expenses), net" on the face of the consolidated income statement.

## 5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	20,336	15,193
Underprovision in prior years	391	640
Current – Elsewhere		
Charge for the year	22,094	33,591
Underprovision in prior years	5,389	–
Deferred tax	838	(9,321)
	<u>49,048</u>	<u>40,103</u>
Total tax charge for the year	<u>49,048</u>	<u>40,103</u>

## 6. DIVIDENDS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Dividends paid during the year</b>		
Final dividend in respect of the financial year ended 31 March 2016 – HK5.0 cents per ordinary share (2016: final dividend in respect of the financial year ended 31 March 2015 – HK4.0 cents per ordinary share)	20,958	16,766
Interim dividend – HK5.0 cents (2016: Nil) per ordinary share	21,418	–
Special dividend – HK15.0 cents (2016: Nil) per ordinary share	64,254	–
	<u>106,630</u>	<u>16,766</u>
<b>Proposed final dividend</b>		
Final – HK5.0 cents (2016: HK5.0 cents) per ordinary share	21,418	20,958

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



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

The calculation of the basic earnings (2016: loss) per share amount is based on the profit for the year attributable to equity holders of the Company of HK\$196,375,000 (2016: loss of HK\$69,843,000) and the weighted average number of ordinary shares of 422,008,000 (2016: 419,048,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to equity holders of the Company of HK\$196,375,000 and 424,064,814 ordinary shares, being the number of shares outstanding during the year, adjusted for the effects of the dilutive potential ordinary shares outstanding during the year ended 31 March 2017.

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

	<b>2017</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>422,008,220</b>
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the year	<b>2,056,594</b>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>424,064,814</b>

No adjustment had been made to the basic loss per share amount presented for the year ended 31 March 2016 in respect of a dilution as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share amount presented.

## 8. ACCOUNTS AND BILLS RECEIVABLE

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

	<b>2017</b> <b>HK\$'000</b>	2016 <b>HK\$'000</b>
0 – 30 days	<b>222,352</b>	130,706
31 – 60 days	<b>60,134</b>	34,263
61 – 90 days	<b>29,364</b>	41,146
Over 90 days	<b>26,230</b>	18,168
	<b>338,080</b>	224,283
Less: Impairment allowance	<b>(1,558)</b>	(2,092)
	<b>336,522</b>	222,191

## 9. ACCOUNTS PAYABLES, ACCRUED LIABILITIES, OTHER PAYABLES AND DEFERRED INCOME

An aging analysis of the Group's accounts payables as at the end of the reporting period, based on the invoice date, and the balances of accrued liabilities, other payables and deferred income are as follows:

	2017 HK\$'000	2016 HK\$'000
0 – 30 days	198,563	122,958
31 – 60 days	93,366	52,881
61 – 90 days	53,937	59,319
Over 90 days	29,548	27,516
	<hr/>	<hr/>
Accounts payables	375,414	262,674
Accrued liabilities	208,295	203,138
Other payables	26,845	29,183
Receipt in advance	15,966	8,060
Deferred income *	146,306	163,197
	<hr/>	<hr/>
	772,826	666,252
Less: Current portion	(632,276)	(509,234)
	<hr/>	<hr/>
Non-current portion	140,550	157,018
	<hr/> <hr/>	<hr/> <hr/>

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

\* Balance represented government grants received in respect of the subsidies from The People's Government of the Dushan County, Guizhou Province, the PRC for the Group's motor company located in Dushan County, Guizhou Province, the PRC. These grants are held as deferred income and recognised to the income statement on a systematic basis. During the year ended 31 March 2017, subsidies of HK\$5,966,000 (2016: HK\$3,888,000) had been recognised and included in subsidy income of "Other income and gains, net" on the face of the consolidated income statement.

## 10. COMPARATIVE AMOUNTS

Certain amounts in the consolidated financial statements for the year ended 31 March 2016 have been reclassified to conform with current year presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group operates two main business streams. In the manufacturing arena, it is engaged in the research-and-development-based production of electrical and electronic products and motors. The non-manufacturing category currently comprises mainly real estate development business activities.

### CONSOLIDATED RESULTS

The Group's consolidated turnover increased by 6.7% year-on-year to HK\$2,472,193,000 (FY2016: HK\$2,317,504,000), led by strong performance in both of its manufacturing segments. Total turnover of the Group comprised the following segmental external turnover:

- HK\$1,734,190,000 from the electrical and electronic products business, representing 70.1% of the consolidated turnover of the Group for the year (FY2016: HK\$1,622,773,000, 70.0%);
- HK\$737,992,000 from the motors business, contributing 29.9% of the total (FY2016: HK\$693,855,000, 29.9%);
- HK\$11,000 from the resources development business, accounting for 0.0% of the total (FY2016: HK\$876,000, 0.1%); and
- No turnover was booked from property pre-sales of the real estate development business segment during the year (FY2016: Nil, 0.0%).

The Group achieved a turnaround and posted a profit attributable to equity holders of the Company of HK\$196,375,000 during FY2017 (FY2016: loss of HK\$69,843,000). Before inclusion of the write-back of impairment of properties under development of HK\$66,950,000 (FY2016: Nil) and impairments and other expenses of HK\$2,006,000 (FY2016: HK\$141,766,000), a profit (before non-controlling interests) of HK\$131,297,000 (FY2016: HK\$70,089,000) was recorded.

Basic earnings per share for the year were HK46.53 cents (FY2016: basic loss per share of HK16.67 cents).

The electrical and electronic products and motors segments both demonstrated robust operating results in FY2017 on the back of an expanded order book and continuous efficiency enhancement. The real estate development segment recorded a loss on operating expenses incurred as pre-sales revenue has yet to be booked, while the resources development business was in the process of being wound down.

The table below sets out the results of the Group by business segment in FY2017, together with the comparative figures of the previous year:

<b>Results by business segment</b>	<b>FY2017</b> <i>HK\$'000</i>	<b>FY2016</b> <i>HK\$'000</i>	<b>Year-on-year change</b> %
Electrical and electronic products ( <i>Note 1</i> )	168,292	87,838	+91.6
Motors ( <i>Note 2</i> )	43,677	(22,056)	NA
Real estate development ( <i>Note 3</i> )	61,673	(65,573)	NA
Resources development ( <i>Note 4</i> )	(7,823)	(5,390)	NA
Total segment results	<u>265,819</u>	<u>(5,181)</u>	NA

*Note 1:* including impairment/write-off losses of HK\$1,017,000 for FY2017 (FY2016: HK\$50,761,000)

*Note 2:* including one-off impairment/write-off losses of HK\$122,000 for FY2017 (FY2016: HK\$26,472,000)

*Note 3:* including write-back of impairment of properties under development of HK\$66,950,000 (FY2016: Nil) and no one-off impairment losses and loss from changes in fair value for FY2017 (FY2016: loss of HK\$59,770,000)

*Note 4:* including one-off impairment/write-off losses of HK\$505,000 for FY2017 (FY2016: HK\$4,763,000)

## **OPERATIONAL REVIEW**

### **Manufacturing Businesses**

Our multi-year investments and experience in robotics manufacturing have helped build a niche expertise and highly automated factory setup, getting the Group ready to expand into other technology-driven production arenas, and setting the stage for further growth.

#### ***Electrical and Electronic Products Business Segment***

The electrical and electronic products segment is engaged in the development, design and manufacture of four main product categories: (i) robotics with artificial intelligence (AI) features, (ii) Internet of Things (IoT) applications, (iii) high-tech toys, and (iv) other products including small home appliances. The segment's research-and-development (R&D) and production platforms are principally based in Shenzhen, supplemented by a small-scale production facility in Shixing.

This business segment remained a strong revenue and earnings contributor for the Group. Segment external turnover in FY2017 went up by 6.9% to HK\$1,734,190,000 (FY2016: HK\$1,622,773,000), contributed mainly by sales of AI robotic products.

Consolidation and reallocation of resources within the facilities have delivered efficiency gains and cost advantages for the segment, leading its operating profit rose by 22.2% to HK\$169,309,000 (FY2016: HK\$138,599,000). After taking into account of impairment/write-off losses of HK\$1,017,000 (FY2016: HK\$50,761,000), the segment recorded a profit of HK\$168,292,000 (FY2016: HK\$87,838,000).

## *Robotics*

Robotics manufacturing continued to drive growth from the vacuum cleaning robot product series, as it penetrates further into a number of export and Mainland domestic markets. In addition to the continuous upgrading of this product line, the segment has also moved to expand its portfolio by applying the acquired robotics capabilities to a range of products with different functionalities for other clients.

The management is confident that the robotics line is on track to extend from household to other end-user segments, with newly developed items starting to contribute to the segment's revenue in FY2017.

Over the course of our development in the robotics industry, the segment has introduced collaborative robots to different workshops in order to automate and customise production. This process of facilities revamp has enabled the segment to accommodate manufacturing requirements with high technology content, and has paved the way for its future leap forward to robotics-based manufacturing catering to higher sophistication, and shorter lead-time and product cycles.

## *Internet of Things*

The segment's skill sets in robotics are the building blocks for its development in the IoT sphere. Substantial effort and resources will be directed towards developing business in this area in the coming years. Despite the relatively short time span of projects initiation, the segment has already established a diverse portfolio of products under development. Its current scope falls into four product categories, namely wearable, home, education and gaming.

Among the various projects, a robot construction kit for educational use has been delivered during the year to a positive market reception. The management has confidence in the prospects of this product and has engaged further business development efforts for it. Another product with promising potential is a gaming robot employing mixed reality (MR) technology. Development works have also been ongoing for a range of app-controlled products, wearable tracking devices, smart home appliances, and learning and communication robots.

Apart from the development of connected devices, machine learning capabilities are believed to be the driving engine of IoT. To this end, the management will closely follow the growing trend of IoT-driven analytics by leveraging deep learning to provide predictive insights from data collected from wearables and sensors.

With a view to tapping further into the potential of the global growth of IoT, the Group is considering various options including investing in start-ups that offer a promising outlook and synergies with the segment.

## *Toys*

The toys line remains an important component of the electrical and electronic products segment. As it moves forward in the direction of high-value and technology-driven production, the segment is working with existing and new clients to explore new avenues in toy and game development.

Product development work in collaboration with a major toys vendor is actively ongoing to create new and innovative play experiences. The management is confident about the launch of this new project, the results of which will be reflected in the coming financial years.

As the toys line scales up its technical competence, the segment is gradually phasing out or outsourcing the production of parts/items that are of relatively lower added value or profit margin.

### ***Motors Business Segment***

The motors segment is engaged in the development, design, manufacture and sale of micro-electric motors and related products, with a focus on direct-current (DC) motors. The segment's major facilities are located in Shixing and Dushan, with a small-scale production facility in Malaysia.

Segment external turnover increased slightly by 6.4% year-on-year to HK\$737,992,000 (FY2016: HK\$693,855,000) while the product mix continued to shift to the higher-margin DC motors line.

The management is much encouraged by the segment's further improvement in profitability. Benefitting from the consolidation and relocation of facilities to the lower-cost production base in Dushan, and as a result of tight operating cost control, relatively stable material costs and the devaluation of the Renminbi ("RMB"), the segment's operating profit improved further to HK\$43,799,000 (FY2016: HK\$4,416,000). One-off impairment/write-off losses were significantly reduced to HK\$122,000 during FY2017 (FY2016: HK\$26,472,000), while the subsidy income (being government grants recognised to the income statement on a systematic basis) was amounted to HK\$5,966,000 (FY2016: HK\$3,880,000). Taking into account these items, the segment achieved a turnaround and produced a profit of HK\$43,677,000 (FY2016: loss of HK\$22,056,000).

During the previous financial year, the segment went through a restructuring exercise to consolidate its manufacturing activities and to scale down the alternating-current (AC) motors business, which has recorded shrinking profit margins. Facilities in Shixing and Dushan have been ramped up smoothly to replace the production lines in our industrial park located in Shaoguan City, Guangdong Province, the PRC. The beneficial effects of the facilities relocation programme are beginning to be reflected.

The segment has moved forward a number of plans to actively develop its motors business. As a step to expand its customer portfolio, a representative office was opened in Incheon, South Korea during the year. An R&D office was also set up in Shenzhen to elevate the segment's technical know-how so as to improve the quality of and expand the product range.

In view of the positive market response to our product and business development efforts, it is anticipated that segment sales will continue to grow in the years to come. The segment will thus continue to expand its production plants in Dushan and Shixing. A new extension of the Dushan facilities is currently under construction, and is expected to be commissioned in FY2018.

In light of rising labour costs, expanding production requirements and the complexity of the products, the segment has undertaken works to automate production. Implementation of automated production processes is progressing at full speed while substantial investments have been budgeted to facilitate the growth of sales. The automation exercise is expected to help the segment reduce labour costs, shorten production cycles and improve product quality.

The management is confident of the segment's sales and earnings growth in the coming year.

## **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 貴州獨山經濟開發區 (English translation: Dushan Economic Development Zone) (the "Dushan EDZ"), Dushan, Guizhou Province, the PRC.

During the period under review, all pre-sale permits for the entire 116 low-density residential units of the phase I of our residential development, *The Royale Cambridge Residences*, were obtained and the final acceptance of construction with respect to this residential development project has been underway. Following the continuing development of both the macro infrastructure surrounding Dushan such as the opening of the high-speed train station at Duyun City and also the local infrastructure around the site area of *The Royale Cambridge Residences*, we see continuously healthy momentum in the contracted sales of our property units. Up to the date of this report, a considerable portion of the phase I residential units of this residential development project were pre-sold with an average achieved selling price of more than RMB5,300 per square metre. Besides the progress of the Guiyang-Nanning High-speed Railway which is planned to have a station approximately one kilometre from our current site area, other local infrastructure developments include the commencement of the construction of a public hospital nearby and the opening of main roads surrounding our site.

The boosting of both the transaction volume and price of both the residential and commercial property market in Dushan is mainly attributable to government efforts in rebuilding the city into a tourist-centric destination. Furthermore, Dushan was admitted in December 2016 as part of 第三批國家新型城鎮化綜合試點地區 (English translation: Third Batch of National Urbanisation Comprehensive Pilot Areas) by the National Development and Reform Commission, and is therefore expected to enjoy various preferential policies in its urbanisation programme.



Given that the final acceptance certificates for *The Royale Cambridge Residences* have not yet been obtained, no revenue was recognised in FY2017. Based on the recently transacted prices and projected costs to complete, a total of HK\$66,950,000 in impairment loss has been written back. As a result, the segment records a profit of HK\$61,673,000 (FY2016: loss of HK\$65,573,000) which primarily reflected the administrative expenses of the operations and the aforesaid write-back of the impairment provision.

Stemming from the experience of our current low-density residential property, and the prevailing economic development initiatives in Dushan, and further to the announcement in 2016 concerning the strategic partner relationship for closer cooperation between the Company and 貴州獨山經濟開發區管理委員會 (English translation: Guizhou Dushan Economic Development Zone Management Committee), we have positioned ourselves to step up our property development efforts in the Dushan EDZ once any of the announced initiatives bear fruit or materialise into specific projects.

In particular, the segment is in the final stage of evaluating the Shanty-Town Reformation Project which is intended to offer more than 600,000 square metres as resettlement property for those residential units that are demolished or affected by the urbanisation and economic development.

In view of the prevailing strengthened market conditions in Dushan, the segment is considering to accelerate the development of the commercial property on the existing site.

As an initial measure, following our business expansion into the property development sector which has enhanced our capability, we have begun to study the dynamics of redeveloping the existing industrial use properties of our Group. In particular, the manufacturing hub in Shaoguan City, Guangdong Province, has been scaled down and that presents us with an opportunity.

Going forward, appropriate resources will be allocated to this segment to boost the earnings drivers of the Group.

### ***Resources Development Business Segment***

During the year, the operations of the segment were suspended. Efforts have been made to devise measures to close down this segment in an orderly fashion, by means including but not limited to consolidation and disposal.

Segment turnover dropped to HK\$11,000 (FY2016: HK\$876,000). Segment loss was maintained at minimal level to HK\$7,823,000 (FY2016: HK\$5,390,000) including an expense of HK\$505,000 (FY2016: HK\$4,763,000) for the impairment/write-off losses relating to the materials development business and the administrative expense of segment activities at a basic level.



## **DIVIDENDS**

Interim and special dividends of HK5.0 cents and HK15.0 cents per ordinary share respectively, totalling HK\$85,672,000 were paid to the shareholders of the Company on 5 January 2017.

The Board is pleased to recommend the payment of a final dividend of HK5.0 cents (FY2016: HK5.0 cents) per share for the FY2017, representing HK\$21,418,000 (FY2016: HK\$20,958,000). The final dividend is expected to be paid on Tuesday, 19 September 2017 to those shareholders whose names appear on the Company's register of members (the "Register of Members") on Thursday, 7 September 2017, subject to the approval in the Company's annual general meeting (the "AGM") to be held on Thursday, 31 August 2017. Based on the interim and special dividends and recommended final dividend, the yearly dividend distributed by the Company during the FY2017 was HK25.0 cents (FY2016: HK5.0 cents).

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

The Group primarily used its internally generated cash flows and banking facilities to finance its operations and business development. The Group has always been executing a prudent and conservative strategy in its financial management. As at 31 March 2017, the Group had time deposits of HK\$6,430,000 (31 March 2016: HK\$6,565,000), cash and bank balances of HK\$282,588,000 (31 March 2016: HK\$204,948,000), and net current assets of HK\$214,565,000 (31 March 2016: HK\$180,967,000). As at 31 March 2017, shareholders' equity was HK\$955,137,000 (31 March 2016: HK\$916,096,000). Total consolidated banking facilities (including trade finance facilities) of the Group from all banks as at 31 March 2017 amounted to approximately HK\$695,086,000 (31 March 2016: HK\$663,185,000), of which HK\$341,807,000 (31 March 2016: HK\$195,664,000) was utilised including interest-bearing bank borrowings of HK\$339,310,000 (31 March 2016: HK\$188,507,000) and irrecoverable letter of credit of HK\$2,497,000 (31 March 2016: HK\$7,157,000).

As at 31 March 2017, the interest-bearing bank borrowings of the Group were in the sum of HK\$339,310,000 (31 March 2016: HK\$188,507,000) of which HK\$274,310,000 (31 March 2016: HK\$188,507,000) was repayable within one year and the remaining balance of HK\$65,000,000 was repayable within the second to fifth years (31 March 2016: Nil).

As at 31 March 2017, the current ratio of the Group (current assets divided by current liabilities) was maintained at a healthy position at 1.2 times (31 March 2016: 1.2 times) and the gearing ratio of the Group (total interest-bearing bank borrowings divided by total equity) was 37.4% (31 March 2016: 22.0%). 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 31 March 2017, the total issued share capital of the Company was HK\$42,836,000 (31 March 2016: HK\$41,916,000), comprising 428,360,000 (31 March 2016: 419,160,000) ordinary shares of HK\$0.10 each.

During the reporting period, the Company issued 9,200,000 ordinary shares (31 March 2016: Nil) upon exercise of share options granted to the Company's directors (the "Directors") and employees 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 31 March 2017 (31 March 2016: 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 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.

## **INTEREST RATE RISK**

The Group's financial facilities are denominated in Hong Kong dollars and Renminbi and interests on bank borrowings are chargeable based on certain interest margin over the Hong Kong Interbank Offered Rate and the People's Bank of China lending rate which are therefore of floating rate in nature. The Group has not entered into any interest rate risk hedge to mitigate exposure to interest rate risk during the year.

## **MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT**

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

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

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

## **DISCLOSURES PURSUANT TO RULE 13.21 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “LISTING RULES”)**

In April and July 2015, the Company, as a borrower, entered into a renewed and a new term loan facility agreements of HK\$100,000,000 each with 2 different banks 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, the 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.

## **CORPORATE GOVERNANCE PRACTICES**

The Board regularly reviews the guidelines and latest development in corporate governance. In the opinion of the Board, the Company has complied with the code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2017 except for the deviation from provision A.2.1 of the CG Code as described in the section “Chairman and Chief Executive Officer” below. The Board has also reviewed the Corporate Governance Report (“CG Report”) and is satisfied that it has been in full compliance with all the requirements stipulated in the CG Report in Appendix 14 of the Listing Rules.

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

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

The roles of the chairman and the chief executive officer of the Company are not separated and are 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 highly independent element in the Board, where the Board members meet regularly to discuss issues 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 of Securities Transactions by directors of Listed Issuers (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 Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year. The relevant employees of the Group 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.

## **REVIEW OF ANNUAL RESULTS**

The Audit Committee of the Board has reviewed the consolidation results (including the consolidated financial statements) of the Group for the year ended 31 March 2017.

## **REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR**

The figures in respect of the Group's results for the year ended 31 March 2017 as set out in the preliminary results announcement have been agreed by the Company's independent auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("Ernst & Young"), to the amounts set out in the Group's consolidated financial statements. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary results announcement.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Monday, 28 August 2017 to Thursday, 31 August 2017, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM to be held on Thursday, 31 August 2017, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 25 August 2017.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the AGM to be held on Thursday, 31 August 2017. The record date for entitlement to the proposed final dividend is Thursday, 7 September 2017. For determining the entitlement to the proposed final dividend, the Register of Members will be closed from Wednesday, 6 September 2017 to Thursday, 7 September 2017, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, for registration not later than 4:30 p.m. on Tuesday, 5 September 2017. The final dividend is expected to be made on Tuesday, 19 September 2017.

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

The results announcement is published on the website of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and is available on the Company's website at [www.kinyat.com.hk](http://www.kinyat.com.hk). An annual report for year ended 31 March 2017 will be dispatched to the Company's shareholders and available on the said websites in due course.

On behalf of the Board  
**Cheng Chor Kit**  
*Chairman and Chief Executive Officer*

Hong Kong, 28 June 2017

*As at the date of this announcement, the Board comprises eleven Directors, of which seven are executive Directors, namely Mr. CHENG Chor Kit, Mr. FUNG Wah Cheong, Vincent, Mr. LIU Tat Luen, Mr. CHENG Tsz To, Mr. CHENG Tsz Hang, Mr. CHIN Wee Hon and Mr. HUI Ka Po, Alex and four independent non-executive Directors, namely Mr. WONG Chi Wai, Dr. SUN Kwai Yu, Vivian, Mr. CHENG Kwok Kin, Paul and Mr. CHEUNG Wang Ip.*