# 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 2018

The Board of Directors (the "Board") of Kin Yat Holdings Limited (the "Company") would like to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2018 (the "Period") together with the comparative figures for the corresponding period in 2017. The interim financial results have been reviewed by the Audit Committee of the Company but have not been reviewed by the auditor of the Company.

### CONDENSED CONSOLIDATED INCOME STATEMENT

| | | **Unaudited for the six months ended 30 September** | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| **Revenue** | *3* | **2,109,790** | 1,474,683 |
| Costs of sales | *5* | **(1,927,068)** | (1,292,618) |
| Gross profit | | **182,722** | 182,065 |
| Other income and gains, net | *3* | **29,326** | 24,721 |
| Selling and distribution expenses | | **(35,795)** | (25,505) |
| Administrative expenses | | **(108,880)** | (81,510) |
| Finance costs, net | *4* | **(1,050)** | (1,052) |
| Share of losses of an associate | | **(221)** | – |
| **Profit before tax** | *5* | **66,102** | 98,719 |
| Income tax expense | *6* | **(10,856)** | (16,949) |
| **Profit for the period** | | **55,246** | 81,770 |

| | | Unaudited for the six months ended 30 September | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| **Profit attributable to:** | | | |
| Equity holders of the Company | | **54,803** | 81,838 |
| Non-controlling interests | | **443** | (68) |
| | | **55,246** | 81,770 |
| **Earnings per share attributable to equity holders of the company** | *8* | | |
| Basic (HK cents) | | **12.49** | 19.07 |
| Diluted (HK cents) | | **12.47** | 18.93 |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited for the six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| **Profit for the period** | **55,246** | 81,770 |
| **Other comprehensive income/(expense):** | | |
| *Items that may be reclassified to the income statement:* | | |
| Exchange translation reserve on translation of foreign operations | **(105,481)** | 50,407 |
| Release of exchange translation reserve upon disposal of subsidiaries | **–** | (14,566) |
| | **(105,481)** | 35,841 |
| **Total comprehensive (loss)/income for the period** | **(50,235)** | 117,611 |
| **Total comprehensive (loss)/income for the period attributable to:** | | |
| Equity holders of the Company | **(50,375)** | 117,630 |
| Non-controlling interests | **140** | (19) |
| | **(50,235)** | 117,611 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | *Notes* | **Unaudited 30 September 2018** *HK$'000* | Audited 31 March 2018 *HK$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **975,132** | 866,668 |
| Investment properties | | **58,644** | 63,061 |
| Prepaid land lease payments | | **23,507** | 24,772 |
| Properties under development | | **43,999** | 47,168 |
| Investment in an associate | | **5,536** | 6,183 |
| Prepayments and deposits | | **214,341** | 191,092 |
| Goodwill | *9* | **17,039** | 7,872 |
| Intangible assets | | **16,800** | – |
| Deferred tax assets | | **28,699** | 33,695 |
| Total non-current assets | | **1,383,697** | 1,240,511 |
| **Current assets** | | | |
| Properties under development | | **191,328** | 247,795 |
| Inventories | | **639,156** | 477,062 |
| Accounts and bills receivables | *10* | **611,950** | 370,326 |
| Prepayments and deposits | | **347,590** | 274,934 |
| Financial assets at fair value through profit or loss | | **3,913** | 31,254 |
| Tax recoverable | | **5,662** | 5,197 |
| Time deposits | | **13,169** | 11,645 |
| Cash and bank balances | | **178,668** | 205,011 |
| Total current assets | | **1,991,436** | 1,623,224 |
| **Total assets** | | **3,375,133** | 2,863,735 |

| | Notes | **Unaudited 30 September 2018 *HK$'000*** | Audited 31 March 2018 *HK$'000* |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | | **43,896** | 43,846 |
| Reserves | | **1,037,138** | 1,112,932 |
| | | **1,081,034** | 1,156,778 |
| **Non-controlling interests** | | **7,185** | 1,266 |
| **Total equity** | | **1,088,219** | 1,158,044 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income | *11* | **88,536** | 109,208 |
| Bank borrowings | *12* | **332,250** | 294,750 |
| Deferred tax liabilities | | **38,066** | 37,502 |
| Other payables | *11* | **38,448** | – |
| Total non-current liabilities | | **497,300** | 441,460 |
| **Current liabilities** | | | |
| Accounts payables, other payables, contract liabilities and provisions | *11* | **1,372,704** | 953,372 |
| Bank borrowings | *12* | **345,036** | 237,140 |
| Tax payable | | **71,874** | 73,719 |
| Total current liabilities | | **1,789,614** | 1,264,231 |
| **Total liabilities** | | **2,286,914** | 1,705,691 |
| **Total equity and liabilities** | | **3,375,133** | 2,863,735 |

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

**Basis of preparation**

This condensed consolidated interim financial information for the six months ended 30 September 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2018 and any public announcements made by Kin Yat Holdings Limited.

**Accounting policies**

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

**(a) New and amended standards adopted by the Group**

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

| | |
|---|---|
| HKFRS 2 (Amendment) | *Classification and measurement of share-based payment transactions* |
| HKFRS 4 (Amendment) | *Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts* |
| HKFRS 9 | *Financial instruments* |
| HKFRS 15 | *Revenue from contracts with customers* |
| HKFRS 15 (Amendments) | *Clarifications to HKFRS 15* |
| HK (IFRIC) 22 | *Foreign currency transactions and advance consideration* |
| HKAS 40 (Amendments) | *Transfer of investment property* |
| Annual improvements project of HKFRS 1 and HKAS 28 | *Annual improvements 2014-2016 cycle* |

**(b) Impact of standards issued but not yet applied by the Group**

The following new standards and amendments to standards and interpretations have been issued but not yet to be effective for the financial year beginning 1 April 2018 and have not been early adopted:

| | |
|---|---|
| HKAS 19 (Amendments) | *Employee benefits* [(1)] |
| HKAS 28 (Amendments) | *Investment in associates and joint ventures* [(1)] |
| HKFRS 9 (Amendments) | *Prepayment features with negative compensation* [(1)] |
| HKFRS 16 | *Leases* [(1)] |
| HK(IFRIC)-Int23 | *Uncertainty over income tax treatments* [(1)] |
| Annual improvements project | *Annual improvements to HKFRS 2015-2017 cycle* [(1)] |
| HKFRS 17 | *Insurance contracts* [(2)] |
| HKFRS 10 and HKAS 28 (Amendments) | *Sale or contribution of assets between an investor and its associate and joint venture* [(3)] |

(1) Effective for the Group for annual period beginning on 1 April 2019

(2) Effective for the Group for annual period beginning on 1 April 2021

(3) Effective date to be determined

**(c) Changes in accounting policies**

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

**HKFRS 9 "Financial Instruments"**

HKFRS 9 replaces the provision for HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial Instruments" from 1 April 2018 resulted in changes in accounting policies.

The Group's accounts and bills receivables is subject to the new expected credit loss model of the new HKFRS.

The Group applies the HKFRS 9 simplified approach to measure expected credit loss allowance accounts and bills receivables based on credit risk characteristics and the days past due. Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others the failure of a debtor to engage in a repayment plan with the Group.

The Group has assessed the expected credit loss model applied as at 1 April 2018 and the change in impairment methodologies has no significant impact of the Group's condensed consolidated interim financial information and the opening allowance is not restated in this respect.

**HKFRS 15 "Revenue from contracts with customers"**

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") as issued by the HKICPA for its 2018 financial year. The Group believes the new accounting policies provide more relevant information for users to assess the nature, amounts, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of HKFRS 15 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information.

HKFRS 15 establishes a new framework for revenue recognition. This replaces HKAS 18 which cover contracts for goods and services and HKAS 11 which cover construction contracts. The new standard introduces a five-step model to determine when to recognise revenue and at what amount. Under the five-step model, revenue is recognised when control of goods or services is transferred to a customer and at the amount to which the entity expects to be entitled. Depending on the nature of the contracts, revenue is either recognised over time or at a point in time.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance or retained profits in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 April 2018, thus the comparative figures have not been restated.

*Accounting for property development activities*

In prior reporting periods, the Group accounted for property development activities when significant risks and rewards of ownership have been transferred to the customers on deliver in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, when the properties that have no alterative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied over time in accordance with the input method for measuring progress.

The effects of the adoption of HKFRS 15 are as follows:

Reclassification were made as at 1 April 2018 to be consistent with the terminology used under HKFRS 15 for contract liabilities in relation to payment received in advance from customers for properties sales which were previously presented as receipt in advance.

(a) The impact on the Group's financial position by the application of HKFRS 15 is as follows:

**Condensed consolidated statement of financial position (extract)**

| | As previously stated | Reclassification under HKFRS 15 | Adjustments under HKFRS 15 | As restated |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Properties under development | 294,963 | – | (60,265) | 234,698 |
| Contract liabilities | – | 138,524 | (67,149) | 71,375 |
| Other payables | 43,347 | – | 3,072 | 46,419 |
| Receipt in advance | 138,524 | (138,524) | – | – |
| Retained profits | 738,287 | – | 3,812 | 742,099 |

(b) The amount by each condensed consolidated interim financial information line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows:

**Condensed consolidated statement of financial position (extract)**

| | Without the adoption of HKFRS 15 | Reclassification under HKFRS 15 | Adjustments under HKFRS 15 | As restated |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Properties under development | 291,370 | – | (56,043) | 235,327 |
| Contract liabilities | – | 140,546 | (62,444) | 78,102 |
| Other payables | 124,964 | – | 2,856 | 127,820 |
| Receipt in advance | 140,546 | (140,546) | – | – |
| Retained profits | 762,363 | – | 3,812 | 766,175 |
| Exchange translation reserve | (49,054) | – | (267) | (49,321) |

The Group receives payments for customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

## 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 AI robotics, IoT and smart home products, electronic entertainment products and other related products;

(b) the motors segment consists of the manufacture and sale of motors and encoder film;

(c) the glass technology and application segment consists of the sale and downstream processing of glass, as well as the design, manufacture and installation of curtain wall systems; and

(d) real estate development segment.

The disposal of the core operating subsidiaries of the Company relating to the resources development segment was completed in September 2017.

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 information.

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 segment results of the Group for the Period are as follows:

| | Unaudited for the six months ended 30 September | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Electrical and electronic products | | Motors | | Glass technology and application | | Real estate development | | Resources development | | Eliminations | | Consolidated | |
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Segment revenue | | | | | | | | | | | | | | |
| Revenue from external customers | **1,560,377** | 1,018,532 | **519,772** | 456,151 | **29,641** | – | **–** | – | **–** | – | **–** | – | **2,109,790** | 1,474,683 |
| Intersegment sales | **24,397** | 27,026 | **4,917** | 4,829 | **–** | – | **–** | – | **–** | – | **(29,314)** | (31,855) | **–** | – |
| Total | **1,584,774** | 1,045,558 | **524,689** | 460,980 | **29,641** | – | **–** | – | **–** | – | **(29,314)** | (31,855) | **2,109,790** | 1,474,683 |
| Other income and gains, net | **5,751** | 3,142 | **16,401** | 13,830 | **820** | – | **77** | 12 | **–** | 2,361 | **–** | – | **23,049** | 19,345 |
| Segment results | **51,046** | 72,459 | **25,177** | 39,616 | **1,471** | – | **(3,025)** | (3,725) | **–** | 1,395 | **–** | – | **74,669** | 109,745 |
| Interest and unallocated gains | | | | | | | | | | | | | **6,277** | 5,376 |
| Unallocated expenses | | | | | | | | | | | | | **(13,573)** | (15,350) |
| Finance costs, net | | | | | | | | | | | | | **(1,050)** | (1,052) |
| Share of losses of an associate | | | | | | | | | | | | | **(221)** | – |
| Profit before tax | | | | | | | | | | | | | **66,102** | 98,719 |

(b) **Geographical information**

| | Unaudited for the six months ended 30 September | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | United States of America | | Europe | | Asia | | Others | | Consolidated | |
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | ***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 | **893,183** | 460,648 | **436,673** | 311,832 | **672,752** | 639,573 | **107,182** | 62,630 | **2,109,790** | 1,474,683 |

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

## 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:

| | Unaudited for the six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Manufacture and sale of: | | |
| Electrical and electronic products | **1,560,377** | 1,018,532 |
| Motors | **519,772** | 456,151 |
| Glass technology and application | **29,641** | – |
| | **2,109,790** | 1,474,683 |
| **Other income and gains, net** | | |
| Dividend income from financial assets at fair value through profit or loss | **–** | 850 |
| Gross rental income | **2,198** | 194 |
| Sale of scrap materials | **2,103** | 2,537 |
| Gain on disposal of property, plant and equipment, net | **–** | 8 |
| Fair value gain on financial assets at fair value through profit or loss, net | **6,542** | 3,931 |
| Subsidy income *(Note)* | **16,645** | 11,627 |
| Gain on disposal of subsidiaries | **–** | 2,072 |
| Others | **1,838** | 3,502 |
| | **29,326** | 24,721 |

*Note:*

Various government subsidies have been received from the local government authorities for subsidising the operating activities, research and development activities, and acquisition of fixed assets. During the Period, subsidies totalling HK$16,645,000 (2017: HK$11,627,000) are recognised in profit or loss, including the amortisation of deferred government subsidies of HK$13,669,000 (2017: HK$10,142,000).

## 4. FINANCE COSTS, NET

| | Unaudited for the six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans | **1,805** | 1,519 |
| Bank interest income | **(755)** | (467) |
| | **1,050** | 1,052 |

During the Period, interest of HK$9,302,000 (2017: HK$3,460,000) 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 3.9% (2017: 2.6%) has been applied to the expenditure on the individual assets for the Period.

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

| | Unaudited for the six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories sold | **1,465,695** | 898,462 |
| Depreciation | **47,754** | 37,794 |
| Amortisation of prepaid land lease payments | **323** | 317 |
| Direct operating expenses (including repairs and maintenance), arising from rental earning investment properties | **141** | 21 |
| Legal and professional fee | **3,223** | 4,262 |

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. 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 | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| Current – Hong Kong | | |
| Charge for the period | **2,364** | 8,318 |
| Adjustments for current tax of prior years | **1,264** | – |
| Current – Elsewhere | | |
| Charge for the period | **3,493** | 6,142 |
| Deferred tax | **3,735** | 2,489 |
| Total tax charge for the period | **10,856** | 16,949 |

## 7. DIVIDENDS

| | Unaudited for the six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| **Dividend paid during the Period** | | |
| Final dividend in respect of the financial year ended 31 March 2018 – HK7.0 cents per ordinary share (2017: final dividend in respect of the financial year ended 31 March 2017 – HK5.0 cents per ordinary share) | **30,727** | 21,518 |
| **Declared interim dividend** | | |
| Interim dividend declared for the financial period ended 30 September 2018 – HK3.0 cents per ordinary share (30 September 2017 – HK3.0 cents per ordinary share) | **13,168** | 12,941 |

The interim dividend will be paid to the shareholders whose names appear in the Register of Members on 14 December 2018. The interim dividend was declared after the financial period ended 30 September 2018, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

## 8. EARNINGS PER SHARE

**Basic earnings per share is calculated by dividing:**

– profit for the Period attributable to equity holders of the Company of HK$54,803,000 (2017: HK$81,838,000);

– by the weighted average number of ordinary shares of 438,703,000 (2017: 429,200,000) in issue during the Period.

## 9. GOODWILL

| | **Unaudited 30 September 2018** *HK$'000* | Audited 31 March 2018 *HK$'000* |
|---|---|---|
| Movements in goodwill are as follows: | | |
| At beginning of the period/year | **7,872** | 4,650 |
| Addition *(Note)* | **9,167** | 3,061 |
| Exchange realignment | **–** | 161 |
| At end of the period/year | **17,039** | 7,872 |

*Note:*

On 3 April 2018, Kin Yat Enterprises (BVI) Limited ("Kin Yat Enterprises"), a wholly-owned subsidiary of the Group, entered into a sales and purchase agreement with a third party to acquire 13% equity interest in Progress Power-Saving Glass Technology Company Limited ("PPSGT") together with shareholder's loan amounting to HK$1,386,000 provided by the seller to PPSGT at a total cash consideration of HK$7,647,000.

On 25 July 2018, Kin Yat Enterprises entered into a sales and purchase agreement with Silurian Resources Limited, which is wholly owned by Mr. Cheng Chor Kit, the chairman of the Board of Director and chief executive officer of the Company. Pursuant to the agreement, Kin Yat Enterprises will further acquire 51% equity interest in PPSGT together with shareholder's loan amounting to HK$16,820,000 provided by Mr. Cheng Chor Kit to PPSGT at a total cash consideration of HK$30,000,000.

The acquisition was completed on 14 August 2018, upon the completion, the Group holds 64% equity interest of PPSGT, of which its wholly owned subsidiaries are principled engaged in the sales and downstream processing of glass.

The fair values of the identifiable assets and liabilities of PPSGT as at the acquisition date were as follows:

| | HK$'000 |
|---|---|
| **Consideration:** | |
| Cash | 37,647 |
| | |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Cash and cash equivalents | 856 |
| Property, plant and equipment | 41,605 |
| Inventories | 14,499 |
| Accounts and other receivables | 36,531 |
| Intangible assets | 16,800 |
| Accounts and other payables | (67,887) |
| Amounts due to shareholders | (22,151) |
| Deferred tax liability | (4,200) |
| | |
| **Total identifiable net assets** | 16,053 |
| Amounts due to shareholders assigned to Kin Yat Enterprises | 18,206 |
| Non-controlling interests | (5,779) |
| Goodwill | 9,167 |
| | |
| | 37,647 |

The Group has appointed an independent valuer to perform a review of the purchase price allocation. As at the date of condensed consolidated interim financial information, the review is still on-going and subject to adjustment on a retrospective basis when the valuation is finalised.

## 10. ACCOUNTS AND BILLS RECEIVABLES

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 and bills receivables balances. Accounts and bills receivables are non-interest-bearing.

An aging analysis of the accounts and bills receivables as at the end of the Period, based on the invoice date, is as follows:

| | **Unaudited** | Audited |
|---|---|---|
| | **30 September** | 31 March |
| | **2018** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **345,502** | 237,216 |
| 31 – 60 days | **187,581** | 71,253 |
| 61 – 90 days | **51,106** | 43,651 |
| Over 90 days | **28,553** | 19,058 |
| | **612,742** | 371,178 |
| Less: Impairment | **(792)** | (852) |
| | **611,950** | 370,326 |

The substantial increase in the accounts and bills receivables is owing to the seasonal factor where usually September (30 September 2017: HK$495,091,000) is the high season and March (31 March 2017: HK$336,522,000) is the low season.

## 11. ACCOUNTS PAYABLES, OTHER PAYABLES, CONTRACT LIABILITIES AND PROVISIONS

An aging analysis of the Group's accounts payables as at the end of the Period, based on the invoice date, and the balance of other payables and provisions are as follows:

| | **Unaudited 30 September 2018** | Audited 31 March 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **346,181** | 230,838 |
| 31 – 60 days | **326,685** | 124,582 |
| 61 – 90 days | **176,515** | 121,598 |
| Over 90 days | **138,213** | 72,975 |
| Accounts payables *(Note a)* | **987,594** | 549,993 |
| Accrued liabilities and provisions | **191,257** | 192,961 |
| Other payables | **127,820** | 43,347 |
| Contract liabilities | **78,102** | – |
| Receipt in advance | **–** | 138,524 |
| Deferred income *(Note b)* | **114,915** | 137,755 |
| | **1,499,688** | 1,062,580 |
| Less: Current portion | **(1,372,704)** | (953,372) |
| Non-current portion | **126,984** | 109,208 |

*Notes:*

(a) 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.

(b) The balance mainly represented government grants received in respect of the subsidies from The People's Government of the Dushan County, Guizhou Province (the "Dushan County Government") for the Group's manufacturing companies 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 to match with the costs or the assets' useful lives that they are intended to compensate in accordance with the agreements with the Dushan County Government. During the Period, subsidies of HK$13,669,000 (2017: HK$10,142,000) had been recognised and included in subsidy income of "Other income and gains, net" in the condensed consolidated income statement.

## 12. BANK BORROWINGS

| | **Unaudited 30 September 2018** *HK$'000* | Audited 31 March 2018 *HK$'000* |
|---|---|---|
| *Unsecured* | | |
| Current portion | **345,036** | 237,140 |
| Non-current portion | **332,250** | 294,750 |
| | **677,286** | 531,890 |

Bank borrowings mature until 2023, and bear average interest at 3.9% per annum (31 March 2018: 2.9%).

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. Except for a bank borrowing of HK$65,556,000 (31 March 2018: HK$70,494,000) which is denominated in Renminbi, all other bank borrowings are denominated in Hong Kong dollars.

## 13. CONTINGENT LIABILITIES

From March 2014 to March 2018, the Hong Kong Inland Revenue Department ("IRD") issued estimated assessments ("EA") for the years of assessment from 2007/08 (which were statutorily time-barred after 31 March 2014) to 2011/12 (which were statutorily time-barred after 31 March 2018) with total tax demanded of approximately HK$51,466,000 to certain subsidiaries of the Group (the "Subsidiaries"). The EA were issued as a consequence of the tax audit being carried out on the tax affairs of the Subsidiaries. The Subsidiaries lodged objections to the EA and the IRD subsequently ordered the Subsidiaries to purchase tax reserve certificates ("TRC") in the total amount of approximately HK$25,408,000 and to holdover the balance on the condition that an 8% annual interest will be charged should be balance become payable upon settlement of the objection.

In November 2018, the management submitted settlement proposals to IRD of tax undercharged and penalty of HK$3,974,000 regarding to certain Subsidiaries. Such amount is recorded in income tax expense for the Period. These proposals are in respect of the EA amounted to HK$34,870,000, out of the total of HK$51,466,000 of the Subsidiaries, and HK$20,000,000 of the TRC purchased out of the total of HK$25,408,000 of the Subsidiaries.

The management is continuing the discussion with the IRD and there is no specific basis which indicated potential adjustments were warranted on the remaining Subsidiaries for the years of assessment 2007/08, 2008/09, 2009/10, 2010/11 and 2011/12 and no additional tax provision for Hong Kong profits tax is required at this stage.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is an industrial enterprise specialising in the technology-driven production of electrical and electronic products, including robotics, Internet of things ("IoT"), virtual reality ("VR")/augmented reality ("AR") and electronic entertainment items, along with a diverse portfolio of motor drive and related products. The latest addition of a glass technology and application segment has further extended our manufacturing scope. The Group also makes selective project investments in other sectors as opportunities arise.

### Turnover

During the Period, the Group achieved a 43.1% year-on-year growth in turnover to HK$2,109,790,000, compared with HK$1,474,683,000 for the last corresponding period. The turnover growth was mainly contributed by the electrical and electronic products and motors segments.

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

- HK$1,560,377,000 from the electrical and electronic products segment, representing 74.0% of the Group's consolidated turnover for the Period (2017: HK$1,018,532,000, 69.1%);

- HK$519,772,000 from the motors segment, contributing 24.6% of the total (2017: HK$456,151,000, 30.9%);

- HK$29,641,000 from the glass technology and application segment, accounting for 1.4% of the total: (2017: Nil, 0%); and

- No turnover was booked from property pre-sales of the real estate development business segment during the Period (2017: Nil, 0%).

### Profit

The Group sustained a respectable performance amid a challenging operating environment underlined by uncertainty caused by rising trade tensions and surges in labour and material costs. Profit attributable to equity holders of the Company during the Period declined 33.0% year-on-year to HK$54,803,000 (2017: HK$81,838,000), with subsidy income of HK$16,645,000 (2017: HK$11,627,000) included.

The earnings decline was mainly attributable to increases in labour and material costs, thereby reducing the gross profit margins of the Group's manufacturing businesses. The lower gross profit margin was also accounted for by increased overtime charges incurred owing to labour shortages, and changes in the product portfolio as driven by market demand and client orders.

## OPERATIONAL REVIEW

### Manufacturing Businesses

The Group now operates three manufacturing business streams on three major production bases in the People's Republic of China (the "PRC"). Two of the production centres are based in Guangdong Province, respectively in Songgang, Baoan District, Shenzhen City ("Shenzhen") and Shixing County, Shaoguan City ("Shixing"). The third production centre is located in Dushan County ("Dushan"), Guizhou Province ("Guizhou"). Additionally, a small-scale motor encoder factory is in operation in Malaysia.

The Dushan centre is currently designated for motors production, glass related business, and is under expansion to accommodate the manufacturing of robotics components and sub-assemblies, as well as a portion of our entertainment products. The Shenzhen centre continues to be dedicated to high-value-added processes for robotics and IoT manufacturing, while the Shixing base provides manufacturing support for entertainment and other electrical and electronic products, and is a production base for the motor drives.

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

The segment is engaged in the development, design and manufacture of four main product categories: (i) robotics featuring artificial intelligence ("AI"), (ii) IoT and smart home products, (iii) electronic entertainment products, and (iv) other products including small home appliances.

Its research-and-development ("R&D") teams and production centres are located in Shenzhen and Shixing, with a new manufacturing site currently under development in Dushan for robotic vacuum cleaners ("RVC") and other electrical and electronic products.

Driven by robust sales of AI robotic products and the juvenile series, segment external turnover grew 53.2% year-on-year to HK$1,560,377,000 during the Period (2017: HK$1,018,532,000). However, increase in material costs and labour costs caused by labour shortage and more stringent social welfare requirements in the PRC of which partially alleviated by a depreciation of Renminbi ("RMB"), brought segment profit, after deducting related corporate expenses, down 34.0% year-on-year to HK$38,643,000 during the Period (2017: HK$58,509,000).

*Robotics*

The Group aspires to excel in robotics manufacturing and has successfully established a strong foothold in a niche arena of home-use robots. Together with its major client, the Group has developed several generations of best-in-class robots that have delivered market success. As this client affirms its dominance on this front, the Group continues to serve as its key production partner.

While the prospects for the robotics industry remain bright, it is not without difficulties for manufacturers. The increasingly rapid throughput cycles and more varied applications, for example, have created numerous manufacturing challenges.

In view of the challenging operating environment in the PRC, the Group has strategised to realign its product and client portfolios to enable a more focused and selective business activities going forward. This will allow the Group to better utilise existing capacities and thus seek profit margin improvement in the longer term. In light of the escalating Sino-US trade war, the Group has adopted a more conservative business development strategy to control its risk exposure.

On the other hand, the Group has not slowed its efforts in furthering its technological edge and production competence. AI is expected to lead the development of robotics in the coming years, but currently a lot of robotic products are built with only default commands without genuine AI capabilities. The Group will continue to develop its competence in this direction.

Manufacturing of RVC and other home-use robots continued to grow during the Period, and it is expected that the full-year sales forecast can be met. After years of high growth from this product line, the Group is preparing to build a more diversified portfolio. The Group has thus initiated development of a range of AI robotic products, including robots with nursing functions and a STEM kit set. Some other products are in various stages of development, including an educational robot to enable interactive language learning for children.

The facilities in Shenzhen have reached full capacity, and the Group looks forward to shifting part of the robotics supply chain to Dushan towards the latter part of this financial year when the Dushan government completes the construction of the new plant. The Group is confident of the ongoing development of its robotics business, which will remain the core of the electrical and electronic products segment in the years ahead.

*Internet of Things and Smart Home Products*

IoT forms a connected environment where data is collected, exchanged and converted into value using machine learning, or AI. The Group headed into the IoT arena on the premise of its capability in data-driven and machine learning technologies acquired through its participation in robotics development. Based on its accumulated skills in home-use robots, the Group has leveraged IoT to build an array of smart home products.

In light of the highly fragmented IoT market landscape, the Group has opted for a more selective pitching strategy whereby projects are selected on the basis of their potential and time to market. This will help the Group better allocate its development resources and production capacities.

Gadgets in production include an app-controlled pet toy with sensors and built-in AI, which has been receiving positive market response. The Group also has confidence in the development of a wearable keyboard for inputting and controlling Bluetooth-enabled devices.

The Group looks forward to enhancing its methodology and know-how in order to scale this business line.

*Electronic Entertainment Products*

The Group continued to work with a large-scale global play and entertainment company on the rollout of various VR gaming products. Sales of the key items have met forecasts and business from this long-term customer has grown satisfactorily year-on-year. Another line of collectable gaming products has been awarded by another toy customer, with production already commenced in October 2018.

The Group remains confident of the continued positive contribution of the entertainment line to its overall results.

*Home Appliances/Electrical Appliances*

The first half of this financial year witnessed the fruitful development of the home appliances business line.

In particular, the category has built a successful and growing juvenile product series, with items including infant seats that replicate natural motions of parents, safe + smart bottle warmers, and other products for babies and toddlers.

In the pipeline for production commissioning is an innovative blender featuring an RFID cup with pre-stored smoothie or soup ingredients. An ODM set of electrical appliances is also being developed, with industrial design and construction by in-house R&D teams.

Considering the development of the various projects in hand, and the positive feedback received from exhibitions, the Group plans to expand the scale of this business line in the coming few years.

***Motors Business Segment***

The motors segment is engaged in the development, design, manufacture and sale of electric motor drives and related products. Its product offerings have continued to evolve to capture market and technological trends, including the continued development of larger motor drives of diameters within 100 millimetres. The segment's major facilities are currently located in Shixing and Dushan, with a small-scale production facility in Malaysia.

Segment external turnover grew by 13.9% year-on-year to HK$519,772,000 during the Period (2017: HK$456,151,000) as the order book remained strong. Segment profit after deducting related corporate expenses moderated to HK$24,007,000 (2017: HK$38,216,000), down 37.2% year-on-year, as a result of higher material and labour costs.

The Sino-US trade war did not have a material impact on our motor business, as exports to the United States ("US") contributed only a small portion of segment turnover. However, the segment's gross profit margin was hit by inflated costs, albeit with stable selling prices and with the impact partially mitigated by the depreciation in RMB.

Business growth was led by the home and office appliances end user sectors, while the Group continued to develop the automotive and transportation sector. Turnover growth was supported by marketing initiatives to build higher recognition and acceptance of the brand and drive solutions of our motor business. On the back of this and with a healthy order book, it is anticipated that our motor business will be able to sustain growth for the full year.

The Group will further its marketing and branding work in the Asia-Pacific region, while exploring the development potential in Europe.

Since the facilities in Shixing and Dushan have reached full capacity, the Group plans to increase capacity through further automation and expansion of the existing lower cost production centre in other country. In the face of labour shortages and cost increases, the Group has sought to further automate the manufacturing process. More stringent cost control measures have also been implemented to counter rising expenses.

The motor drive is an essential component in most appliances and devices for personal and commercial use. With growing technological and automated applications in appliances, the Group is optimistic of sustained demand for motor drive solutions. It is therefore confident of the motors segment's ongoing growth and contribution to the Group's earnings base.

***Glass Technology and Application Segment***

The Group holds a 64% interest in a glass technology and application company, Progress Power-Saving Glass Technology Company Limited ("PPSGT"), with a major subsidiary, Chuangjian Jieneng Glass (Guizhou) Co Limited operating in our Dushan centre. PPSGT has become a subsidiary of the Group since August 2018, and generated a segment turnover of HK$29,641,000 (2017: Nil) after acquisition. A segment profit of HK$1,471,000 (2017: Nil) was reported.

This new segment is engaged mainly in the sale and downstream processing of glass including but not limited to insulating glass, glass window modules and digital image printed glass, as well as the design, manufacture and installation of curtain wall systems. Plans are underway for the sale of advertising rights on switchable projection glass systems developed by the segment that turns from a clear transparent glass into a projection surface. It also plans to embark on a new business with respect to the coating of glass surfaces for electrochromic glass smart shading systems, used for energy-saving solutions, and solar energy glass used for power generation.

The segment's facilities are currently located in Dushan. Engaging in domestic sales, the nature of its business requires it to maintain production capacities close to target customers. To facilitate the development of the new potential markets, there are plans to open one more production site in the PRC in the near future.

The foray into glass technology and application is a furtherance of the Group's established principle of expanding business in the industrial sector.

**Non-manufacturing Businesses**

***Real Estate Development Business Segment***

During the Period, the Group was engaged in two residential and commercial property development projects in Dushan Economic Development Zone, namely *The Royale Cambridge Residences* and *The Jardin Montsouris*.

*The Royale Cambridge Residences*

Contracted sales amounted to HK$59,860,000 (equivalent to RMB51,874,000), representing the sale of total gross floor area of approximately 10,000 square metres of the Phase I residential development project. Following the first adoption of HKFRS 15 from this financial year, the Group recognised the gain amounted to HK$3,812,000 arisen from these contracted sales received in prior years to the retained profits of the Group.

Under HKFRS 15, when the properties that have no alterative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognises revenue of contracted sales as the performance obligations are satisfied over time in accordance with the progress toward completion of the contract.

The Group is confident of the long-term property development in the area as evidenced by the general increase in the property selling prices in Dushan and thus the potential of this property development project offering top-class and unique residential products in the area. It is of the opinion that the value of this residential and commercial development project will continue to increase over time, and therefore continues to maintain an appropriate pace of development so as to maximise long-term return from the project.

*The Jardin Montsouris*

This resettlement project is located on a site opposite to our *The Royale Cambridge Residences* project.

In order to create competition amongst potential buyers and expedite the selling cycle of the project, a professional property sales consultancy team has been retained to help strategise the independent selling of the Phase I project's property units to the general public in addition to the housing relocation residents. The Phase I of the residential development project of *The Jardin Montsouris* comprises ten residential buildings with a total saleable floor area for residential units of approximately 300,000 square metres. At the current stage where no pre-sale permit has been obtained, satisfactory response was received from the general public.

Judging from the market response and the buoyant property market conditions in Dushan, the management is confident in the potential of this project to make contribution to the cash flow and revenue stream of the Group in the near future.

The Group considers the two existing projects on hand as one-off real estate development opportunities and does not expect in general to tender for other property development projects in other locations in the PRC.

## OUTLOOK

The escalating Sino-US trade war has caused disruptions in trade flows. In the longer term, trade tensions could lead to broader impacts, putting global economic activity at risk. In view of the uncertainty in the macro environment, the Group has opted to take a more conservative stance in its ongoing business development plans.

The tariffs placed on about US$250 billion of Chinese-made goods by the US administration, which are to be borne by the brand owners or principals, have prompted many US clients to consider plans to shift portions of their supply chains out of China. The Group has proactively undertaken feasibility studies in exploring alternative manufacturing sites in other parts of Asia.

Under preliminary study are the more mature manufacturing locations in Asia, such as Vietnam, India, Myanmar, Cambodia and Malaysia. The management also noted the Hong Kong Special Administrative Regions Government's re-industrialisation efforts in recent years, which include support for Hong Kong enterprises to operate in local industrial estates, as well as assistance to the industrial sector to accelerate the adoption of Industry 4.0-related technologies. The Group will carefully carry out studies and visits, but no concrete plan or timetable has been concluded yet.

The Group experienced a year of high growth in 2018, with momentum continuing into the first half of 2019. This demand-led volume growth has been constrained by numerous operating limitations, including labour shortages in China. In addition, the new premises in Dushan under construction by the Dushan government have not been delivered in time to cater to the Group's capacity requirements. Against this backdrop, the Group will prudently plan its ongoing business development and manufacturing orders, so as to ensure delivery to clients with production costs kept in check.

While there are threats ahead, the Group also sees an opportunity to adjust its business strategy and plans. For example, the management has looked into the development of non-US markets, including furthering domestic sales in the PRC and seeking expansion in Europe. Business development work is currently ongoing in these directions. This strategy aims to build a more balanced market distribution for the Group in the long term.

To further diversify its business mix, the Group will work to nurture more high-performance product lines in future. Among these product lines, the juvenile product series have already secured a firm position in the market, ready for further growth.

The Group will also continue to cope with the other operational challenges it faces. The trends of the depreciation of RMB and rising material prices have moderated after the Period, but the management will continue to closely monitor the situation.

Business momentum remains strong for the robotics and motor drive businesses. Plans will be rolled out to adjust their client and product portfolios to cope with macro changes, and to secure sustainable and profitable growth for these business streams.

The Group is confident of the ongoing prospects of its spread of business operations, and will make timely planning and disciplined investments to create a sustainable future.

## 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 2018, the Group had time deposits of HK$13,169,000 (31 March 2018: HK$11,645,000), cash and bank balances of HK$178,668,000 (31 March 2018: HK$205,011,000), and net current assets of HK$201,822,000 (31 March 2018: HK$358,993,000). As at 30 September 2018, shareholders' equity was HK$1,081,034,000 (31 March 2018: HK$1,156,778,000). Total consolidated banking facilities of the Group from all banks as at 30 September 2018 amounted to approximately HK$969,433,000 (31 March 2018: HK$983,074,000). As at 30 September 2018, total bank borrowings amounted to HK$677,286,000 (31 March 2018: HK$531,890,000).

As at 30 September 2018, the current ratio of the Group (current assets divided by current liabilities) was maintained at a healthy position at 1.1 times (31 March 2018: 1.3 times) and the gearing ratio of the Group (total bank borrowings divided by total equity) was 62.2% (31 March 2018: 45.9%). 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 2018, the total issued share capital of the Company was HK$43,896,000 (31 March 2018: HK$43,846,000), comprising 438,960,000 (31 March 2018: 438,460,000) ordinary shares of HK$0.10 each.

During the Period, the Company issued 500,000 ordinary shares (31 March 2018: 10,100,000 ordinary shares) upon exercise of share options granted to an employee of the Company 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 2018 (31 March 2018: 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.

## MATERIAL ACQUISITIONS AND CONNECTED TRANSACTION

Reference is made to the Company's announcements dated 12 March 2018, 15 March 2018 and 25 July 2018 in relation to an inside information of a possible acquisition, memorandum of understanding of a possible acquisition and an acquisition of 51% shareholding in PPSGT.

On 3 April 2018, the Company, through its indirect wholly-owned subsidiary, namely Kin Yat Enterprises (BVI) Limited (the "Kin Yat Enterprises"), entered into the sale and purchase agreement with an independent third party to acquire 13% of the issued share capital of PPSGT. The total consideration of the aforesaid acquisition, together with the assignment of relevant shareholder's loan of HK$7,647,000.

On 25 July 2018, Kin Yat Enterprises entered into another sale and purchase agreement with Silurian Resources Limited to acquire 51% of the issued share capital of PPSGT, together with the assignment of relevant shareholder's loan, at a consideration of HK$30,000,000.

Silurian Resources Limited is a company wholly-owned by Mr. Cheng Chor Kit, an executive director, the chairman of the Board, the chief executive officer and controlling shareholder of the Company. As such, Silurian Resources Limited is a connected person of the Company and the aforesaid acquisition constitutes a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The whole acquisition has completed in August 2018, PPSGT become a 64%-owned subsidiary of the Company. As a result, the financial results of PPSGT should be consolidated into the condensed consolidated interim financial information of the Company.

Saved as disclosed above, during the Period, the Group was neither involved in any significant investment, nor any material acquisitions or disposals of any subsidiaries.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group employed over 12,000 full-time employees, of which less than 100 were stationed in Hong Kong headquarters with the remaining working in the PRC and Malaysia.

The remuneration committee of the Company made recommendation to the Board on the policy and structure of the Company for all remuneration of Directors, and 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 and in the market. 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 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.

## OTHER INFORMATION

## CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed between Wednesday, 12 December 2018 to Friday, 14 December 2018 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the declared interim dividend for the six months ended 30 September 2018, all duly completed transfer forms 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 no later than 4:30 p.m. on Tuesday, 11 December 2018.

## DIVIDEND

On 29 November 2018, the Board resolved to declare the payment of an interim dividend of HK3.0 cents per ordinary share (2017: 3.0 cents per ordinary share). The dividend of HK3.0 cents per ordinary share will be paid to shareholders registered on the Register of Members on Friday, 14 December 2018. The interim dividend will be payable on or before 11 January 2019.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

## DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

In 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 (the "Lenders") for a term of 60 months and a term of 36 months, respectively.

In November 2017, the Lenders granted new term loan facilities to the Company of HK$100,000,000 for a term of 60 months and of HK$150,000,000 for a term of 36 months respectively for financing capital expenditure.

During the Period, an indirect wholly-owned subsidiary of the Company, as a borrower, entered into a new term loan and trade-line facility agreement of total HK$100,000,000 with a new bank for a term of 36 months and the purpose of the aforesaid term loan is used for financing capital expenditure.

In addition to general conditions, 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.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain 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 all code provisions as set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the Period, 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 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 calibre individuals, with a high 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 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 the Directors' dealings in the securities of the Company.

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 six months ended 30 September 2018. The relevant employees who, because of their office in the Group, are likely to be in possession of unpublished inside information have been requested to comply with the provisions of the Model Code.

## AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial information for the six months ended 30 September 2018.

## 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 that of the Company at www.kinyat.com.hk. The interim report of the Company for the six months ended 30 September 2018 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and made available on the above websites in due course.

By order of the Board
**Cheng Chor Kit**
*Chairman and Chief Executive Officer*

Hong Kong, 29 November 2018

*As at the date of this announcement, the Board comprises ten Directors, of which six 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 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.*