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**KIN YAT HOLDINGS LIMITED**

**建溢集團有限公司**

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 638)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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 2019 (the “Period”), together with the comparative figures for the previous corresponding period and the relevant explanatory notes. The interim financial results have been reviewed by the Audit Committee of the Company but have not been reviewed by the auditors of the Company.

### CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited for the six months ended 30 September 2019 HK\$'000	2018 HK\$'000
	Notes		
<b>Revenue</b>	3	<b>1,892,147</b>	2,109,790
Costs of sales	5	<u>(1,712,372)</u>	<u>(1,927,068)</u>
Gross profit		<b>179,775</b>	182,722
Other income and gains, net	3	<b>38,447</b>	29,326
Selling and distribution expenses		<b>(28,934)</b>	(35,795)
Administrative expenses		<b>(95,491)</b>	(108,880)
Impairment losses on financial assets		<b>(106)</b>	—
Finance costs, net	4	<b>(9,742)</b>	(1,050)
Share of losses of associates		<u><b>(713)</b></u>	<u>(221)</u>
<b>Profit before tax</b>	5	<b>83,236</b>	66,102
Income tax expense	6	<u><b>(6,753)</b></u>	<u>(10,856)</u>
<b>Profit for the period</b>		<u><b>76,483</b></u>	<u>55,246</u>
<b>Profit attributable to:</b>			
Equity holders of the Company		<b>78,377</b>	54,803
Non-controlling interests		<u><b>(1,894)</b></u>	<u>443</u>
		<u><b>76,483</b></u>	<u>55,246</u>
<b>Earnings per share attributable to equity holders of the Company</b>			
Basic	8	<u><b>HK17.88 Cents</b></u>	<u>HK12.49 Cents</u>
Diluted		<u><b>HK17.88 Cents</b></u>	<u>HK12.47 Cents</u>

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited for the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<u>76,483</u>	<u>55,246</u>
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to the income statement:</i>		
Exchange translation reserve on translation of foreign operations	<u>(93,327)</u>	<u>(105,481)</u>
	<u>(93,327)</u>	<u>(105,481)</u>
<b>Total comprehensive loss for the period</b>	<u><u>(16,844)</u></u>	<u><u>(50,235)</u></u>
<b>Total comprehensive loss for the period attributable to:</b>		
Equity holders of the Company	(14,706)	(50,375)
Non-controlling interests	<u>(2,138)</u>	<u>140</u>
	<u><u>(16,844)</u></u>	<u><u>(50,235)</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,051,048	1,123,724
Investment properties		57,898	65,070
Prepaid land lease payments		–	23,437
Right-of-use assets	9	80,376	–
Properties under development	11	42,424	44,847
Intangible assets	10	34,574	35,779
Investment in associates		10,646	12,065
Prepayments and deposits	13	173,350	210,642
Deferred tax assets		22,145	25,920
		<hr/>	<hr/>
Total non-current assets		1,472,461	1,541,484
<b>Current assets</b>			
Properties under development	11	493,399	485,863
Inventories		333,175	615,365
Accounts and bills receivable	12	382,412	312,149
Contract assets		24,810	22,983
Prepayments and deposits	13	132,013	155,772
Financial assets at fair value through profit or loss		10,321	14,140
Tax recoverable		493	791
Time deposits		14,618	13,754
Cash and bank balances		273,866	227,170
		<hr/>	<hr/>
		1,665,107	1,847,987
		<hr/>	<hr/>
Asset held for sale		21,707	–
		<hr/>	<hr/>
Total current assets		1,686,814	1,847,987
		<hr/>	<hr/>
<b>Total assets</b>		<b>3,159,275</b>	<b>3,389,471</b>
		<hr/> <hr/>	<hr/> <hr/>

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

		<b>Unaudited</b>	<b>Audited</b>
		<b>30 September</b>	<b>31 March</b>
		<b>2019</b>	<b>2019</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		<b>43,896</b>	43,896
Reserves		<b>1,146,866</b>	1,161,616
		<b>1,190,762</b>	1,205,512
<b>Non-controlling interests</b>		<b>2,625</b>	4,414
<b>Total equity</b>		<b>1,193,387</b>	1,209,926
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income and other payable	14	<b>69,745</b>	82,090
Bank borrowings	15	<b>225,500</b>	—
Lease liabilities		<b>488</b>	—
Deferred tax liabilities		<b>55,703</b>	57,285
<b>Total non-current liabilities</b>		<b>351,436</b>	139,375
<b>Current liabilities</b>			
Accounts and bills payable, other payables and provisions	14	<b>936,622</b>	1,000,597
Contract liabilities		<b>138,447</b>	166,181
Bank borrowings	15	<b>479,959</b>	810,106
Lease liabilities		<b>1,081</b>	—
Tax payable		<b>58,343</b>	63,286
<b>Total current liabilities</b>		<b>1,614,452</b>	2,040,170
<b>Total liabilities</b>		<b>1,965,888</b>	2,179,545
<b>Total equity and liabilities</b>		<b>3,159,275</b>	3,389,471

## NOTES

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### **Basis of preparation**

This condensed consolidated interim financial information for the six months ended 30 September 2019 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 2019 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 accounting for the reclassification of asset held for sale and the adoption of new and amended standards as set out below.

#### **(a) Asset held for sale**

*It represents an office held for sale which was classified as property, plant and equipment as at 31 March 2019.*

Non-current assets classified as held for sale are presented separately from the other assets in the condensed consolidated statement of financial position.

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the fair value and not depreciated or amortised while they are classified as held for sale.

#### **(b) New and amended standards adopted by the Group**

A number of 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 19 (Amendments)	<i>Employee benefits</i>
HKAS 28 (Amendments)	<i>Investment in associates and joint ventures</i>
HKFRS 9 (Amendments)	<i>Prepayment features with negative compensation</i>
HKFRS 16	<i>Leases</i>
HK(IFRIC)-Int 23	<i>Uncertainty over income tax treatments</i>

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### Accounting policies (continued)

#### (c) Impact of standards issued but not yet applied by the Group

The following are new standards, amendments and interpretations to existing standards that have been issued but not yet effective for the financial year beginning 1 April 2019 and have not been early adopted by the Group.

HKFRS 3	<i>Definition of Business<sup>(1)</sup></i>
HKAS 1 and HKAS 8 (Amendments)	<i>Definition of Material<sup>(1)</sup></i>
Conceptual Framework for Financial Reporting 2018	<i>Revised Conceptual Framework for Financial Reporting<sup>(1)</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>(2)</sup></i>
HKFRS 10 and HKAS 28 (Amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate and Joint Venture <sup>(3)</sup></i>

<sup>(1)</sup> Effective for the Group for the annual period beginning on 1 April 2020

<sup>(2)</sup> Effective for the Group for the annual period beginning on 1 April 2021

<sup>(3)</sup> Effective date to be determined

#### (d) Change in accounting policies

Below explains the impact of the adoption of HKFRS 16 Leases on the group's financial statements and discloses the new accounting policies that have been applied from 1 April 2019.

The group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

##### (i) *Adjustments recognised on the adoption of HKFRS 16*

On adoption of HKFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.3%.

# 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

## Accounting policies (continued)

### (d) Change in accounting policies (continued)

#### (i) Adjustments recognised on the adoption of HKFRS 16 (continued)

The table below explains the difference between operating lease commitments disclosed at 31 March 2019 by applying HKAS 17 and lease liabilities recognised at 1 April 2019 by applying HKFRS 16:

	<b>2019</b> <b>HK\$'000</b>
Operating lease commitments disclosed as at 31 March 2019	1,204
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(40)
(Less): short-term leases recognised on a straight-line basis as expense	(210)
<b>Lease liabilities recognised as at 1 April 2019</b>	<b>954</b>
Of which are:	
Current lease liabilities	516
Non-current lease liabilities	438
	<b>954</b>

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

For prepaid land lease payments previously presented as a separate item and leasehold land included in property, plant and equipment on consolidated statement of financial position are grouped as part of right-of-use assets with effect from 1 April 2019. The recognised right-of-use assets upon the adoption of HKFRS 16 are related to land and buildings.

# 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

## Accounting policies (continued)

### (d) Change in accounting policies (continued)

#### (i) Adjustments recognised on the adoption of HKFRS 16 (continued)

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 April 2019:

Statement of consolidated financial position (Extract)	31 March 2019 As previously reported HK\$'000	Effect of HKFRS 16 HK\$'000	1 April 2019 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1,123,724	(57,120)	1,066,604
Right-of-use assets	–	81,467	81,467
Prepaid land lease payments	23,437	(23,437)	–
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Lease liabilities	–	516	516
<b>Non-current liabilities</b>			
Lease liabilities	–	438	438
<b>EQUITY</b>			
Reserves	1,161,616	(44)	1,161,572



# 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

## Accounting policies (continued)

### (d) Change in accounting policies (continued)

#### (i) Adjustments recognised on the adoption of HKFRS 16 (continued)

##### *Impact on segment disclosure*

Adjusted operating profit for the six months ended 30 September 2019 decreased and both segment assets and segment liabilities for September 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities. The following segments were affected by the change in policy:

	Increased/ (decreased) in adjusted operating profit for the six months ended 30 September 2019 HK\$'000	Increased in segment assets as at 30 September 2019 HK\$'000	Increased in segment liabilities as at 30 September 2019 HK\$'000
Electrical and electronic products	1	826	854
Motors	(2)	687	716
Glass technology and application	–	–	–
Real estate development	–	–	–
	<u>(1)</u>	<u>1,513</u>	<u>1,570</u>

##### *Practical expedients applied*

In applying HKFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### Accounting policies (continued)

#### (d) Change in accounting policies (continued)

##### (i) *Adjustments recognised on the adoption of HKFRS 16 (continued)*

###### *Practical expedients applied (continued)*

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying HKAS 17 and HK(IFRIC) – 4 “Determining whether an Arrangement contains a Lease”.

##### (ii) *The group’s leasing activities and how these are accounted for*

###### *As a lessee*

The group leases various offices, staff quarters and warehouses. Rental contracts are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group also leases certain land use rights in Mainland China. These land use rights are leased for a period of fifty years on which plants and buildings of the Group are situated on. The lease agreements do not impose any covenants.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### Accounting policies (continued)

#### (d) Change in accounting policies (continued)

##### (ii) *The group's leasing activities and how these are accounted for (continued)*

###### *As a lessee (continued)*

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

###### *As a lessor*

The Group leases out its investment properties under non-cancellable operating lease arrangements. The lease terms are between one and three years. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor in the comparative period are not different from HKFRS 16. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor, except for a sub-lease. When the Group is an intermediate lessor, the sub-lease is classified with reference to the underlying asset.

The Group does not have sub-leases during the financial year of 2019. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue". The Group has accounted for its lease in accordance with HKFRS 16 from the date of initial application.

## 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 artificial intelligence ("AI") robotics, smart 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.

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

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

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

## 2. SEGMENT INFORMATION (continued)

### (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		Others		Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	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														
Times of revenue recognition														
– At a point of time	1,397,142	1,560,377	463,770	519,772	27,801	29,641	–	–	–	–	–	–	1,888,713	2,109,790
– Over time	–	–	–	–	3,434	–	–	–	–	–	–	–	3,434	–
	<u>1,397,142</u>	<u>1,560,377</u>	<u>463,770</u>	<u>519,772</u>	<u>31,235</u>	<u>29,641</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,892,147</u>	<u>2,109,790</u>
Intersegment sales	<u>16,888</u>	<u>24,397</u>	<u>2,555</u>	<u>4,917</u>	<u>3,365</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(22,808)</u>	<u>(29,314)</u>	<u>–</u>	<u>–</u>
	<u>1,414,030</u>	<u>1,584,774</u>	<u>466,325</u>	<u>524,689</u>	<u>34,600</u>	<u>29,641</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(22,808)</u>	<u>(29,314)</u>	<u>1,892,147</u>	<u>2,109,790</u>
Other income and gains, net	<u>16,040</u>	<u>5,751</u>	<u>22,440</u>	<u>16,401</u>	<u>622</u>	<u>820</u>	<u>86</u>	<u>77</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>39,188</u>	<u>23,049</u>
Segment results	<u>78,342</u>	<u>46,163</u>	<u>31,662</u>	<u>23,934</u>	<u>(8,024)</u>	<u>1,471</u>	<u>(2,847)</u>	<u>(3,492)</u>	<u>(408)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>98,725</u>	<u>68,076</u>
Interest and unallocated (loss)/gains													(741)	6,277
Unallocated expenses													(4,293)	(6,980)
Finance costs, net													(9,742)	(1,050)
Share of losses of associates													(713)	(221)
Profit before tax													83,236	66,102

### (b) Geographical information

	Unaudited for the six months ended 30 September									
	United States of America		Europe		Asia		Others		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	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	1,051,787	893,183	303,571	436,673	535,651	672,752	1,138	107,182	1,892,147	2,109,790

The revenue information above is based on the locations 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	
	2019	2018
	HK\$'000	HK\$'000
<b>Revenue</b>		
Manufacture and sales of:		
Electrical and electronic products	1,397,142	1,560,377
Motors	463,770	519,772
Glass technology and application	31,235	29,641
	<u>1,892,147</u>	<u>2,109,790</u>
<b>Other income and gains, net</b>		
Gross rental income	621	2,198
Sales of scrap materials	4,969	2,103
Loss on disposal of property, plant and equipment, net	(137)	–
Fair value (loss)/ gain on financial assets at fair value through profit or loss, net	(12)	6,542
Subsidy income ( <i>Note</i> )	27,468	16,645
Others	5,538	1,838
	<u>38,447</u>	<u>29,326</u>

*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 amounting to HK\$27,468,000 (2018: HK\$16,645,000) are recognised in profit or loss, including the recognition of deferred government subsidies of HK\$19,271,000 (2018: HK\$13,669,000).

#### 4. FINANCE COSTS, NET

	Unaudited for the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Interest on lease liabilities	(29)	–
Interest on bank loans	(10,332)	(1,805)
Bank interest income	619	755
	<u>(9,742)</u>	<u>(1,050)</u>

During the Period, interest of HK\$5,121,000 (2018: HK\$9,302,000) was capitalised under properties under development. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity borrowing during the Period of 4.3% (2018: 3.9%).

#### 5. PROFIT BEFORE TAX

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

	Unaudited for the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Cost of inventories sold	1,332,821	1,465,695
Amortisation of intangible assets	1,205	–
Amortisation of prepaid land lease payments	–	323
Depreciation of property, plant and equipment	56,554	47,754
Depreciation of right-of-use assets	1,584	–
Short-term lease expenses	1,461	–
Direct operating expenses (including repairs and maintenance) arising from rental earning investment properties	89	141
Impairment of accounts receivable	106	–
Legal and professional fee	3,276	3,223
Write-off of property, plant and equipment	5,362	–
	<u>5,362</u>	<u>–</u>

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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.

	<b>Unaudited</b>	
	<b>for the six months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current – Hong Kong		
Charge for the period	<b>1,050</b>	2,364
Adjustment for current tax of prior years	<b>353</b>	1,264
Current – Elsewhere		
Charge for the period	<b>4,220</b>	3,493
Adjustment for current tax of prior years	<b>(3,259)</b>	–
Deferred tax	<b>4,389</b>	3,735
	<hr/>	<hr/>
Total tax charge for the period	<b>6,753</b>	10,856
	<hr/>	<hr/>

## 7. DIVIDENDS

	<b>Unaudited</b>	
	<b>for the six months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Dividends paid during the Period</b>		
Final dividend in respect of the financial year ended		
31 March 2019 – Nil (2018: final dividend in respect of		
the financial year ended 31 March 2018 – HK7.0 cents per		
ordinary share)	–	30,727
	<hr/>	<hr/>
<b>Declared interim dividend</b>		
Interim dividend declared for the		
financial period ended 30 September 2019 – Nil		
(30 September 2018 – HK3.0 cents per ordinary share)	–	13,168
	<hr/>	<hr/>

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2019 (2018: HK3.0 cents per ordinary share).

## 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\$78,377,000 (2018: HK\$54,803,000);
- by the weighted average number of ordinary shares of 438,460,000 (2018: 438,703,000) in issue during the Period.

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

	<b>Unaudited for the six months ended 30 September</b>	
	<b>2019</b>	<b>2018</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>438,460,000</b>	438,703,000
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the Period	<u>–</u>	<u>640,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><b>438,460,000</b></u>	<u>439,343,000</u>

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to equity holders of the Company of HK\$78,377,000 (2018: HK\$54,803,000) and 438,460,000 (2018: 439,343,000) ordinary shares, being the number of shares outstanding during the Period, adjusted for the effects of the dilutive potential ordinary shares outstanding during the Period.



## 9. RIGHT-OF-USE ASSETS

The recognised right-of-use assets relate to the following types of assets:

	<b>Prepaid leasehold land HK\$'000</b>	<b>Leasehold land HK\$'000</b>	<b>Offices, staff quarters and warehouses HK\$'000</b>	<b>Total HK\$'000</b>
Opening net book amount at 1 April 2019	–	–	–	–
Effects of the adoption of HKFRS 16	23,437	57,120	910	81,467
Additions	–	–	1,182	1,182
Depreciation	(315)	(677)	(592)	(1,584)
Exchange realignment	(702)	–	13	(689)
	<u>22,420</u>	<u>56,443</u>	<u>1,513</u>	<u>80,376</u>

## 10. INTANGIBLE ASSETS

	<b>Unaudited 30 September 2019 HK\$'000</b>	<b>Audited 31 March 2019 HK\$'000</b>
Movements in intangible assets are as follows:		
At beginning of the period/year	35,779	7,872
Additions ( <i>Note</i> )	–	29,713
Amortisation	(1,205)	(1,807)
Exchange realignment	–	1
At end of the period/year	<u>34,574</u>	<u>35,779</u>

*Note:*

In 2018, the Group completed the acquisition of Progress Power-Saving Glass Technology Company Limited and recognised goodwill and intangible assets amounting to HK\$10,713,000 and HK\$19,000,000, respectively.

## 11. PROPERTIES UNDER DEVELOPMENT

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
Properties under development	535,823	530,710
Current portion	<u>(493,399)</u>	<u>(485,863)</u>
Non-current portion	<u><u>42,424</u></u>	<u><u>44,847</u></u>

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

## 12. 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:

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
0 – 30 days	199,978	166,541
31 – 60 days	109,332	51,263
61 – 90 days	39,617	59,536
Over 90 days	<u>37,718</u>	<u>38,960</u>
	386,645	316,300
Loss allowance	<u>(4,233)</u>	<u>(4,151)</u>
	<u><u>382,412</u></u>	<u><u>312,149</u></u>

The increase in the accounts and bills receivable is owing to the seasonal factor where usually September (30 September 2018: HK\$611,950,000) is the high season and March (31 March 2018: HK\$370,326,000) is the low season.

### 13. PREPAYMENTS AND DEPOSITS

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
Prepayment for property, plant and equipment	160,992	195,667
Prepaid construction cost	12,162	21,165
VAT recoverable	50,149	52,603
Other prepayment and receivables	73,566	67,831
Tax reserve certificates	5,325	25,408
Other deposits	3,169	3,740
	<b>305,363</b>	366,414
Less: Current portion	<b>(132,013)</b>	(155,772)
Non-current portion	<b>173,350</b>	210,642

### 14. ACCOUNTS AND BILLS PAYABLE, OTHER PAYABLES AND PROVISIONS

An aging analysis of the accounts and bills payable as at the end of the reporting Period, based on the invoice date, and the balance of other payables and provisions are as follows:

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
0 – 30 days	226,972	268,120
31 – 60 days	227,109	112,284
61 – 90 days	86,167	147,826
Over 90 days	121,632	211,820
Accounts and bills payable ( <i>Note a</i> )	<b>661,880</b>	740,050
Accrued liabilities, provisions and other payables	<b>215,732</b>	217,785
Deferred income ( <i>Note b</i> )	<b>80,347</b>	103,300
Payable for construction work	<b>48,408</b>	21,552
	<b>1,006,367</b>	1,082,687
Less: Current portion	<b>(936,622)</b>	(1,000,597)
Non-current portion	<b>69,745</b>	82,090

#### 14. ACCOUNTS AND BILLS PAYABLE, OTHER PAYABLES AND PROVISIONS (continued)

Notes:

- (a) The accounts and bills payable and other payables are non-interest-bearing and are normally settled within credit terms of two months, extending up to three months.
- (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 ("Dushan"), Guizhou Province ("Guizhou"), the People's Republic of China (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\$15,150,000 (2018: HK\$13,669,000) had been recognised and included in subsidy income of "Other income and gains, net" in the condensed consolidated income statement.

#### 15. BANK BORROWINGS

	Unaudited 30 September 2019 HK\$'000	Audited 31 March 2019 HK\$'000
<i>Unsecured</i>		
Current portion	479,959	810,106
Non-current portion	225,500	—
	<u>705,459</u>	<u>810,106</u>

Bank borrowings mature until 2023, and bear average interest at 4.3% per annum (31 March 2019: 3.7%).

The Group's banking facilities are secured 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 RMB80,000,000 (31 March 2019: RMB80,000,000), equivalent to HK\$88,562,000 (31 March 2019: HK\$93,863,000), all other bank borrowings are denominated in Hong Kong dollars.

## 16. COMMITMENTS

Capital expenditure constructed for at the end of the Period but not yet incurred is as follows:

	<b>Unaudited</b> <b>30 September</b> <b>2019</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 March</b> <b>2019</b> <i>HK\$'000</i>
Property, plant and equipment	<b>118,786</b>	175,122
Properties under development and investment properties	<b>425,062</b>	475,602

## 17. CONTINGENT LIABILITIES

From March 2014 to March 2019, 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 2012/13 (which were statutorily time-barred after 31 March 2019) with total tax demanded of approximately HK\$52,281,000 to certain subsidiaries of the Group (the “Subsidiaries”).

During the year ended 31 March 2019, the tax audit case of certain Subsidiaries has been concluded. In this connection, the Group has recognised a taxation charge of HK\$4,616,000, overpaid tax reserve certificate (“TRC”) of approximately HK\$15,467,000 paid by these subsidiaries with the tax audit settled has been refunded to these subsidiaries accordingly during the period.

In November 2019, the management submitted settlement proposal to IRD of tax undercharged and penalty of HK\$5,846,000 regarding a subsidiary. The proposal is in respect of the remaining EA amounted to HK\$22,713,000 and TRC amounted to HK\$5,325,000. The management is continuing the discussion with the IRD, as such considers no additional tax provision for the Hong Kong profits tax is required at this stage.

## 18. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The condensed consolidated financial information were approved and authorised for issue by the Board on 28 November 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company is one of the leading industrial enterprises principally engaged in development of niche and technology-driven production of quality electrical and electronic products. With over three decades of experience in the industry and strong research and development (“R&D”) capability, the Group has developed a wide range of products in the areas of robotics, juvenile products, smart products and motor drive products. The Group’s manufacturing portfolio is supplemented by the glass technology and application segment and the real estate development segment in an effort to diversify the business risk.

## FINANCIAL REVIEW

Contracting global trade and regressing economy continued to cast shadow to the consumer sentiment in the first half of the financial year ending 31 March 2020 (“FY2020”). Two of the key major contributing markets of the Group’s sales, the markets in the United States of America (“US”) and in Europe, were adversely and inevitably impacted by political and economic uncertainties due to the Sino-US trade tension and Brexit. Consequently, the Group’s turnover for the Period recorded a year-on-year decrease of 10.3%, from approximately HK\$2,109,790,000 to approximately HK\$1,892,147,000, as a result of more conservative orders from our customers.

- The total turnover of the Group was accounted for by segmental external turnover of:
  - Electrical and Electronic Products segment: amounted to HK\$1,397,142,000, representing 73.8% (six months ended 30 September 2018 (“1H FY2018”): HK\$1,560,377,000, 74.0%) of the Group’s consolidated turnover for the Period.
  - Motors segment: amounted to HK\$463,770,000, representing 24.5% (1H FY2018: HK\$519,772,000, 24.6%) of the Group’s consolidated turnover for the Period.
  - Glass Technology and Application segment: amounted to HK\$31,235,000, representing 1.7% (1H FY2018: HK\$29,641,000, 1.4%) of the Group’s consolidated turnover for the Period.
  - Real Estate Development Business segment: no turnover was booked during the Period (1H FY2018: Nil, 0%).

Despite the challenging operating environment, the overall gross profit margin increased, albeit the Group’s gross profit suffered a drop from HK\$182,722,000 of last period to HK\$179,775,000 of this Period. The increase in gross profit margin was attributed to the Group’s sincere effort in maintaining proper costs control, optimisation of manpower and labour efficiency, and the mild depreciation in the Renminbi (“RMB”) exchange rate against the US dollar during the Period. The Group’s profit attributable to equity shareholders of the Company increased by 43.0% to HK\$78,377,000 (2018: HK\$54,803,000).

The Group has successfully managed to improve its financial position despite the challenging trading environment. During the Period, the Group has successfully achieved better inventory management and reduced inventory by 45.9% to HK\$333,175,000 (1H FY2018: HK\$615,365,000). As at 30 September 2019, the Group's current ratio stood at 1.04 times (as at 31 March 2019: 0.91 times). Such improved financial position and flexibility would be instrumental for the Group to prevail in the volatile global economy and pursue future opportunities.

## **OPERATIONAL REVIEW**

### **Manufacturing Businesses**

The Group now operates three manufacturing business streams on three major production centres in 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. Additionally, a motor facility is in operation in Malaysia.

During the Period, the Shenzhen centre continues to be dedicated to high-value-added processes for robotics and smart products manufacturing, while Shixing centre is the major production base for motor drives and other electrical and electronic products. The Dushan centre currently houses motors production, glass technology and application business, and robotics sub-assembly business.

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

The segment is engaged in the development, design and manufacture of three main product categories: (i) robotics, (ii) juvenile products, and (iii) smart products.

With volatile external business environment, sentiment for consumer products slowed down and hence, dragged down demand of our customers products during the Period. Affected by sales volume decrease of robotic vacuum cleaners ("RVC"), segment external turnover decreased by 10.5% to HK\$1,397,142,000 during the Period (1H FY2018: 1,560,377,000). This segment remained a major contributor, accounting for 73.8% of the overall turnover of the Group. Significant efforts in the reduction of selling and administrative expenses offset the decrease in turnover, and segment operating profit increased by 69.7% to HK\$78,342,000 during the Period (1H FY2018: HK\$46,163,000).

In view of the challenging environment globally, the segment has strategised to realign its product mix and client portfolio to enable a more diversified yet selective business activities going forward. This will allow the segment to better utilise existing capacities together with a more conservative production planning in place.

### *Robotics sector*

The sector has successfully established a long lasting and strong foundation in niche home-use robotics manufacturing. Together with its US based market leading major client with whom the sector has a long term collaboration, the sector has developed several generations of standout-of-market home-use robots. However, as the Sino-US trade tension escalated and continued to fluctuate, sales of RVC products dropped due to the application of tariff. Order placement to the sector continued to become more conservative as competition in the market intensified and the concern about US tariffs continued to emerge.

In order to improve the profitability, the sector has adopted a two-pronged strategy, namely strategic production planning and automation upgrade. The sector rearranged its production schedules and balanced them across the Period. Previous overlapping of orders and production schedules have been ameliorated. As a result, a more balanced production planning allowed the sector to efficiently utilise existing capacities and thus seek profit margin improvement in the longer term.

On the other hand, the sector has not slowed its efforts to the advancement of its technological edge and production competence. During the Period, the sector remained its sincere commitment to upgrading its automatic production towards industry 4.0, with an aim to enhance flexibility in mobilising the production lines, as well as escalate production capacity, product quality and cost effectiveness. In May 2019, the sector has achieved “1i” under the assessment model built by Hong Kong Productivity Council.

In view of the limitation of utilisation rate at the Shenzhen facilities, the sector is planning to extend a production base with higher operational efficiency. However, due to a delay in the handover of the factory premises by the Dushan County government, the capacity expansion plan has been postponed. In the meantime, the sector is actively looking for expanding the production foothold to countries outside of China, in particular, Southeast Asia. The Group believes these strategic moves will increase the profitability of the Group.

### *Juvenile products and smart products sectors*

Being an integrated one-stop personal consumer product solutions provider, the sector plays an active role in offering a wide spectrum of differentiating and customised OEM+ services (“OEM+ services”) towards internationally renowned robotics product brands. OEM+ services range from market research, concept creation, product design and development to raw material sourcing, production engineering, quality assurance to order tracking and logistics. This comprehensive and bespoke OEM+ services platform, coupled with the segment’s shrewd market acumen, outstanding technical know-how, extensive industry experience and long term partnership with internationally renowned consumer electronic products brands, have not only successfully differentiated the sector in the industry and gained us the trust from brands owners across North America, Europe and Asia, but also placing the sector at an advantageous position to gain business opportunities with start-ups brands from more diversifying industries and grow with these potential rising stars.



During the Period, the segment successfully made progress and further enriched product portfolio in both juvenile products and smart products sectors. In the juvenile products sector, the sector focuses on products for baby gears and juvenile education products, particularly targeting STEAM related electronic products. During the Period, the baby gear line have recorded growth in sales. Development of a wearable keyboard for inputting and controlling Bluetooth enabled devices, a STEAM kit set and an educational robot for interactive language learning are in good progress.

In the smart products sector, the sector is committed to the development of electronic products who interrelate computing devices like smartphone and tablet. During the Period, existing products, especially an entertainment product line of theme park based on a blockbuster movie was popularly welcomed by retail consumers and resulted in a boost to sales. On top, the sector continued to develop new products to existing clients, as well endeavored to establish a good mix of new clients. For an existing product line of infant formula preparation gear, the sector assisted client to develop a new generation which can gain control over smartphones.

During the Period, the sector successfully entered into partnership with one of the largest market leading developer on passive infrared sensors (“PIRs”) that can collect movement data to set scenes and control connected accessories. The sector has also been making an effort to tap into other new industries, for examples, anti-fogs goggle sensor and automatic smart guitar tuner. With a strong commitment in providing differentiated services and reinforcing its competitive advantages, the segment continued to invest in its product design and engineering capabilities R&D. The Group believes these products would become rising stars and will stay devoted to uncovering more potential ones in the future ahead.

### **Motors Business Segment**

The motors segment is engaged in the development, design, manufacture and sale of electric motor drives and related products, ranging from direct-current (“DC”) motors, alternating-current (“AC”) motors to encoders and related products. Its product offerings have continued to evolve to capture market and technological trends, including the continued development of larger-sized motor drives and brushless direct current motors. The segment’s major facilities are currently located in Shixing centre and Dushan centre, supplemented by the production facilities in Malaysia. Equipped with high-precision equipment and advanced technologies, this robust production and R&D platform enables the segment to roll out innovative and reliable deliverables for customers.

During the Period, affected by the weakened global consumption atmosphere, the overall demand from various customers declined. Segment external turnover decreased by 10.8% to HK\$463,770,000 (1H FY2018: HK\$519,772,000). The decreased capacity utilisation rate as a result of the reduction in sales volume put up the unit costs of production and lessened the benefits of our relentless efforts to ever increase the level of automation in production, adding pressure to the gross profit margin. However, the segment adopted a more stringent cost control policy during the Period to closely monitor the direct materials cost and direct labour cost. This, to a certain extent, successfully mitigated the negative impact from the decreased sales volume. Together with the benefits from the RMB exchange rate depreciated against the US dollar, and the terms of government subsidies further recognised, this segment made the segment profit increased by 32.3% to HK\$31,662,000 (1H FY2018: HK\$23,934,000).

Looking forward, despite the existing uncertain global economic environment, the segment will continue to actively expand its business through implementing the following strategies.

(i) *Boost up sales by exploring new customers and address added application markets*

The segment business has been categorised into four sectors for separate markets for motors, namely automobiles, office appliances, toys, and household appliance. Aiming to extending motor segment's revenue stream, the segment had been implementing various plans in expanding clientele network as well as penetrating into more added application markets in existing four segment sectors.

In terms of automobiles sector, the segment will expand its sales team to enhance its network in the Asia-Pacific regions, targeting some of the largest automobile market leaders. With its mature and advanced technique, the segment has expertise in producing motors for various car parts and components, including but not limited to headlights, rear-view mirrors and climate control. In the near future, the segment will also explore new solutions and products that supports other functions such as door lock, sunroof, seat adjuster, window lift, electronic parking brakes and other assistive facilities. At the same time, the segment will also seek to capture opportunities that are expected to emerge from the growth of electric cars.

For office appliances sector, the segment will invest more resources on the production of laser jet printers and copiers on top of the current ink jet printers, as more larger-sized motors are used which can increase the segment's revenue stream.

In the toy sector, the segment will actively focus on exploring customers in the video game industry. The segment sees potentials in penetrating into this enormous market of game controllers and is optimistic that it can enter into this market based on, amongst other things, its brand recognition.

In addition, the segment also plans to penetrate into some new home appliance and personal healthcare sectors. After years of continuous improvement in streamlining production process and cost, the segment is now equipped with sufficient capacity and technical capability to capture more market shares by producing higher quality products with cost advantage.

*(ii) Continue to expand R&D team in product development and production process*

In order to achieve increased performance, reliability and durability, the segment has been under R&D of brushless direct current motors constructed with electrical components and the brushless motor is expected to commercialise in 2020. The advantages of brushless motors over brushed motors include higher efficiency, reduced operational noise, longer lifespan. Due to its higher average sales price, brushless motors are commonly applied in high end consumer products. Meanwhile, the segment has been in active engagement with the potential clients and it is believed that brushless DC motor will be a significant extension of the segment's revenue streams.

*(iii) Diversify our production base to secure our cost advantage and competitiveness*

With the possibility of enjoying the tax benefits under the Trans-Pacific Partnership ("TPP") in the long run, during the Period, the segment moved a motor production line to our existing facilities in Malaysia for the business with major customers in Korea and proposed to operate the production in 2HFY2020. This is our initial step toward the production outside China which expected to induce demands from other customers from Association of Southeast Asian Nations or TPP member countries. Meanwhile, the segment will further explore alternative production base at locations with lower production costs and prior target would be South East Asia. Meanwhile, the segment will continue to adopt internal measures to enhance cost effectiveness.

Looking ahead, the segment is cautiously optimistic to the business development of motor segment with our high quality yet reason price products. The segment will continue to expand revenue sources while enhancing profitability to bring fruition to our shareholders.

### **Glass Technology and Application Segment**

This segment is primarily involved with the sale and downstream processing of glass including, but not limited to, thermal insulation glass, glass window modules, printed glass and marble glass products, as well as the design, manufacture and installation of curtain wall systems. The segment is largely focused in domestic sales in the PRC with a small amount of manufactured glass export sales. Following the closure of its facilities in Shaoguan, the segment operates through its sole facilities in Dushan.

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) Company Limited operating in our Dushan production hub. PPSGT has become a subsidiary of the Group since August 2018, and resulted in segment turnover increased by 5.4% to HK\$31,235,000 (1HFY2018: HK\$29,641,000) after acquisition. During the Period, the segment recorded a loss of HK\$8,024,000 (1HFY2018: a profit of HK\$1,471,000) which was mainly due to the scaling down of the operation scale.

During the Period, there was no significant progress in collecting receivables from certain curtain wall projects for government buildings, causing an inevitably high working capital turnover rate as previously discussed. Due to the general slowdown of the economic development in the PRC in general, the segment has experienced a longer than expected accounts receivable collection cycle. As a result, the segment was not in a profitable situation during the Period and it is expected that the situation will continue for a period in the near future unless the shortage of working capital can be improved significantly.

In view of the current situation, the segment has therefore adopted a more conservative business strategy in short run by downsizing the operating scale and slowing down the expansion plan with respect to other projects, including the sale of advertising rights on switchable project glass systems and the coating of glass surfaces for electrochromic glass smart shading systems. With its capital-intensive business nature, the segment has been trying to obtain debt financing to fuel and expand selective business opportunities for those higher margin products, such as printed glasses as the medium-term strategy and to explore the possibility of disposal this business.

## **Non-manufacturing Businesses**

### ***Real Estate Development Business Segment***

During the Period, the segment 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 segment was at a loss of HK\$2,847,000 during the Period (1HFY2018: a loss of HK\$3,492,000), as the pre-sales of the two projects could not be able to be recognised as revenues yet.

#### ***The Royale Cambridge Residences***

Without major stimulating economic catalysts, the high-end property market in Dushan remains flat. As a result, sales of *The Royale Cambridge Residences* in Dushan were ongoing at a slow pace during the Period. Nonetheless, the Group keeps turning certain units from undecorated into decorated units so as to address this market segment. It is expected to close some sales accordingly in the second half of FY2020.

As at 30 September 2019, approximately HK\$70,000,000 was received for its contracted sales of such property development.

According to the statistics from Guizhou Provincial Statistics Bureau, from January to August 2019, the sales of residential floor area from real estate enterprises in Guizhou province was 28.66 million square metres, representing an increase of 8.7% year-on-year. With the active demand for mass of residential properties, the segment is confident of the long-term potential of our relatively low-end property development project, and expects it to maintain an appropriate pace of development generating long-term returns from the segment.

### *The Jardin Montsouris*

This resettlement project is located in a site opposite to our *The Royal Cambridge Residences* project. Construction works of Phase I of this project are ongoing and the development was fixed at six residential buildings with a total saleable floor area for residential units of approximately 200,000 square metres. Units are targeting to residents with respect to the shabby town relocation and resettlement in relation to the Dushan Station of the Guiyang Nanning High Speed Rail.

More than 1,000 residential units of our project have been accepted by the relevant authorities as the targeted resettlement residential units for residents who are affected by residential relocation. With the process of selling of *The Jardin Montsouris* units started only recently, approximately 70 units were contracted to sell for a total approximately RMB30,000,000 up to the date of this announcement. Prepayment amounting to approximately RMB10,000,000 were received so far and the segment expects to receive the remaining portion by the end of 2019. The segment will continue to construct more units to cope with the resettlement demand in particular and expects to commence the selling of the commercial property units there in the early 2020.

Despite the challenging operating environment, the management remains cautiously confident that these two projects will make contribution to the cash flow and revenue stream of the Group in the long run. 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**

Global trade conditions in late 2019 to 2020 are believed to weaken under the influence of Sino-US trade disputes and Brexit. In spite of these circumstances, the Group strives to leverage on its long standing relationship with international renowned brands and expertise in offering value-added product solutions to alleviate the external impact, while proactively explores new business opportunities and continues to maintain market competence with stringent cost control over operation.

Despite the global volatility created an unfavourable market sentiment, high-tech consumer electronics is still a major global trend and a competitive advantage of the Group. The Group believes that demand towards trendy electronic products will gradually restore with faster turnover rate of expected new product launches and growing sectors and applications. Positioned as an integrated one-stop personal consumer product solutions provider, the Group's commitment to upholding high quality products and services, as well as advancing its technological sophistication has gained reputation and trust from personal consumer electronics industry, particularly international renowned brands. Together with close tie with customers, the Group is at an advantageous position to gain business opportunities. The Group will continue to widen its revenue streams via expanding customer base as well as new downstream applications. On top, the Group also plans to extend its market presence in China and Europe, by actively approaching high-end smart products brands, to strike a more balancing market portfolio.

In addition to widen income sources, the Group is actively adhering to enhancing profitability through continuous automation upgrade, strengthening R&D capabilities and better internal control measures. Meanwhile, the Group is also actively seeking for production capacity expansion to locations with better plant resources, with preference to Southeast Asian countries in order to reduce the potential impact of trading disputes or geopolitical policy changes.

The Group remains cautiously optimistic about its long-term development and prudent towards formulation and implementation of corporate strategies to create long-term value for stakeholders. Despite the year ahead will be filled with challenges, the Group will continue to stand on this principle and stay competitive in the ever-changing business environment.

## **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 2019, the Group had time deposits of HK\$14,618,000 (31 March 2019: HK\$13,754,000), cash and bank balances of HK\$273,866,000 (31 March 2019: HK\$227,170,000), and net current assets of HK\$72,362,000 (31 March 2019: net current liabilities HK\$192,183,000). As at 30 September 2019, shareholders' equity was HK\$1,190,762,000 (31 March 2019: HK\$1,205,512,000). Total consolidated banking facilities of the Group from all banks as at 30 September 2019 amounted to approximately HK\$917,563,000 (31 March 2019: HK\$917,563,000). As at 30 September 2019, total bank borrowings amounted to HK\$705,459,000 (31 March 2019: HK\$810,106,000).

As at 30 September 2019, the current ratio of the Group (current assets divided by current liabilities) was maintained at a healthy position at 1.04 times (31 March 2019: 0.91 times) and the gearing ratio of the Group (total bank borrowings divided by total equity) was 59.1% (31 March 2019: 67.0%). 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 30 September 2019, the total issued share capital of the Company was HK\$43,896,000 (31 March 2019: HK\$43,896,000), comprising 438,960,000 (31 March 2019: 438,960,000) ordinary shares of HK\$0.10 each.

## **CHARGE ON THE GROUP'S ASSETS**

There was no charge on the Group's assets as at 30 September 2019 (31 March 2019: 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 DISPOSAL**

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

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2019, the Group employed over 7,200 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**

### **INTERIM DIVIDEND**

The Board believes that it is prudent to grow and maintain a war chest to respond to the impact of the Sino-US trade tension in the near future, and hence does not recommend the payment of any interim dividend for the six months ended 30 September 2019 (1H FY2018: HK\$3.0 cents per share).

### **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 2015 and November 2017, the Company as a borrower, entered into a renewed and new term loan facility agreements of HK\$100,000,000 each with The Hongkong and Shanghai Banking Corporation Limited for a term of 60 months of each term loan facility respectively.

In May 2018, 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 Bank of China (Hong Kong) Limited for a term of 36 months and the purpose of the aforesaid term loan is used for financing capital expenditure.

In January 2019, Hang Seng Bank Limited revised the term loan facilities granted in July 2015 and November 2017 and entered into a renewed term loan facility agreement with the Company (the “Renewed Agreement”). Pursuant to the Renewed Agreement, the renewed term loan is for a period of 36 months and included term loans of HK\$45,000,000 to finance capital expenditure of the Company and of HK\$217,500,000 to refinance the outstanding balance of the loans previously granted.

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 Rules of Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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") 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 caliber 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 2019. 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 2019.

## **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](http://www.hkex.com.hk) and that of the Company at [www.kinyat.com.hk](http://www.kinyat.com.hk). The interim report of the Company for the six months ended 30 September 2019 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, 28 November 2019

*As at the date of this announcement, the Board comprises nine Directors, of which five are executive Directors, namely Mr. CHENG Chor Kit, Mr. FUNG Wah Cheong, Vincent, Mr. LIU Tat Luen, Mr. CHENG Tsz To and Mr. CHENG Tsz Hang; 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.*