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)

For immediate release

KIN YAT HOLDINGS LIMITED

Reports loss in half year ended September 2011 with sales remaining resilient

Financial Highlights:

- Turnover decreased slightly by 8% yoy to HK$888,977,000 (1H FY2011: 966,726,000).
- Reported a loss attributable to owners of the Company of HK$21,087,000 (1H FY2011: profit of HK$79,988,000), the first loss on record.
- Resolved not to declare any interim dividend (1H FY2011: HK4.5 cents).
- Cash in hand of HK$217,000,000 (31 March 2011: HK$215,000,000).
- Current ratio maintained at healthy position of 1.76 times (31 March 2011: 1.63 times).
- Gearing ratio at 37.2% (31 March 2011: 16.5%).

Hong Kong, 29 November 2011 – Artificial intelligence appliances, toys and motors manufacturer Kin Yat Holdings Limited (HKEx: 638) reported a loss attributable to owners of the Company of HK$21,087,000 during the six months ended 30 September 2011 (1H FY2011: profit of HK$79,988,000), the first loss on record. Turnover decreased slightly by 8% year on year to HK$888,977,000 (1H FY2011: HK$966,726,000) as the electrical and electronic products segment experienced order contractions in the midst of weak market sentiments.

Kin Yat Chairman Mr Raymond Cheng Chor Kit said: "With a sound financial position and a portfolio of robust businesses which are well placed over the medium-to-long-term, we are confident that the Group is well-positioned to rebound from the short-term adversities."

Basic loss per share for 1H FY2012 was HK5.04 cents (1H FY2011: earnings of HK19.13 cents). The Group has resolved not to declare any interim dividend (1H FY2011: HK4.5 cents).

The interim loss was mainly attributable to the decline in the overall gross profit margin, arising primarily from a decrease in the contribution from the manufacturing businesses amidst a decrease in their segment turnover coupled with an increase in operating costs as a result of the appreciation of the Renminbi, rising raw material prices and the increase in statutory minimum wages in the PRC during the period. At the same time, continued investments in strategic growth initiatives with respect to the Group's materials and natural resources development businesses, which were in their investment mode, have resulted in higher operating expenses.

The Group currently operates four major business segments, including the three industrial disciplines of electrical and electronic products, motors and other manufacturing activities, as well as the resources development operations as the new growth driver.

During 1H FY2012, electrical and electronic products contributed 60.1% of total turnover (1H FY2011: 64.8%), while the motor business accounted for 34.0% (1H FY2011: 31.7%), the other manufacturing activities generated 5.4% (1H FY2011: 3.1%), and the resources development segment contributed 0.5% (1H FY2011: 0.4%) of total turnover.

Segment external turnover of the electrical and electronic products business decreased 14.8% to HK$534,025,000 (1H FY2011: HK$626,620,000) with the easing of orders for the AI vacuum-cleaning robots and a decline in the sales of toy items. The segment recorded a lower contribution to profit of HK$43,541,000 (1H FY2011: HK$102,967,000) due to the impact of the surges in labour wages and material costs, aggravated by the appreciation of the Renminbi. This caused the segment's profit margin to decline year on year.

The electrical and electronic products segment has started to produce nursery consumer products which are less vulnerable to economic cycles. The segment will continue to diversify its product line into new areas, including consumer electronic products in the sports sector and certain household products such as heating pads, in order to better utilize its existing production facilities.

A new model of robotic vacuum cleaner was launched during 1H FY2012. With enhanced functions, the new model has become a strong addition to the collection of popular home robots, receiving a welcoming market response. The segment is confident about the order book for this new product as its marketing rollout is stepped up further in the second half.

During 1H FY2012, the motor segment's external turnover remained stable at HK$302,673,000 (1H FY2011: HK$306,153,000) on the back of a broadened client base. The segment recorded an interim loss of HK$26,467,000 (1H FY2011: profit of HK$5,858,000) for the first time.

In the context of the current economic conditions, the motor segment's sales have exhibited resilience on the back of a broad customer base covering toy, personal care, precision instrument and automotive sector clients. To further its research and development capability, the segment also plans to establish a new research and development centre in Shenzhen and recruit more engineers to its team. Certain first-tier players in the automotive and precision instrument sectors have responded positively to the Group's motor products. The outlook for the long-term prospects of the motors business remains positive.

A number of cost reduction measures have been put in place for the Group's manufacturing businesses, including stringent control over the operating expenses, the restructuring of headcount, streamlining of production lines, as well as plans to consolidate the motor production facilities.

"As emerging macroeconomic and structural issues continue to pose threats to the mainland manufacturing sector, driving out less well-established counterparts, we have stood out amongst our competitors as a reliable manufacturer that consistently delivers quality and value. We are confident that as the environment recovers, we are better equipped and financially prepared to take advantage of longer-term market trends and new business opportunities, and are likely to emerge as a winner in our field. Our manufacturing businesses will remain committed to maintaining a stable performance in order to fulfill their long-term financial goals of bringing steady cash flow for the Group," added Mr Cheng.

The resources development segment's external turnover in 1H FY2012 recorded an 8.8% year-on-year increase to HK$4,351,000 (1H FY2011: HK$3,998,000) and a loss of HK$21,691,000 (1H FY2011: loss of HK$10,125,000).

There have been solid moves on the segment's geographical diversification from the PRC with the rollout of natural resources business activities in the Lao People's Democratic Republic ("Lao PDR"). The segment has strived to expedite the process of obtaining exploitation licences for the existing mines, exploitation projects are targeted to commence as soon as practicable, bringing in earnings contributions to the Group.

The segment is also looking at opportunities to add new projects to its portfolio in order to increase overall prospective mineral reserves and also contributions to the Group.

Together with the existing exploration projects in Xian and Wengyuan, the PRC, the addition of the project in Lao PDR has increased the Group's portfolio of exploration projects to cover total tenement areas of 369 square kilometres associated with, inter alia, copper, iron, lead, zinc and silver.

Given the current sizeable area of exploration projects on hand, emphasis will be skewed towards projects in more advanced geological development stages in order to accelerate the development of the business and contributions from the mining projects.

For the materials development business, the setting up of the tailor-made new ITO Powder and Target production lines in Shaoguan has been largely completed, enabling the Group to become one of the first large-scale manufacturers in the PRC with capabilities in high standard Function Material Targets and nano-films, fulfilling a currently unsatisfied need in the market.

As at 30 September 2011, the Company had aggregate cash in hand of HK$217 million (31 March 2011: HK$215 million). Current ratio was maintained at a healthy position of 1.76 times (31 March 2011: 1.63 times) with gearing ratio kept at 37.2% (31 March 2011: 16.5%).

Financial Highlights

			Six months ended 30 September	
			2011	2010
			HK$'000	*HK$'000*
Turnover			**888,977**	966,726
Electrical and electronic products			**534,025**	626,620
Motors (sales to external customers only)			**302,673**	306,153
Other manufacturing activities			**47,928**	29,955
Resources development			**4,351**	3,998
Net (loss)/profit attributable to owners of the Company			**(21,087)**	79,988
Segment results from operating activities				
Electrical and electronic products			**43,541**	102,967
Motors			**(26,467)**	5,858
Other manufacturing activities			**510**	1,599
Resources development			**(21,691)**	(10,125)
Dividend	-	*Interim*	**HKNil cent**	HK4.5 cents
(Loss)/Earnings per share	-	*Basic*	**HK(5.04) cents**	HK19.13 cents
	-	*Diluted*	**HK(5.03) cents**	HK19.10 cents

About Kin Yat Holdings

Kin Yat Holdings Limited (HKEx: 638) is an industrial group with a niche in electronic and mechanical productions. It has a stretch of smart home appliances, toy and motor manufacturing businesses, all based on its robust R&D and production platform in China and Southeast Asia. As part of its strategic plan, Kin Yat has branched out into non-manufacturing sector by participating in non-ferrous metals exploration and materials development.

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