



**KIN YAT HOLDINGS LIMITED**

**建溢集團有限公司**

(Incorporated in Bermuda with limited liability)

(Stock Code: 638)

**Interim Report**

**2009**

The Board of Directors (the "Board") is pleased to report the unaudited condensed consolidated results for Kin Yat Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 September 2009 together with the comparative figures for the corresponding period in 2008. This interim financial report has not been audited, but has been reviewed by the Company's audit committee.

## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2009</b>	2008
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
<b>REVENUE</b>	3	<b>789,853</b>	927,851
Cost of sales		<b>(623,689)</b>	(784,961)
Gross profit		<b>166,164</b>	142,890
Other income and gains, net	3	<b>7,578</b>	11,794
Selling and distribution expenses		<b>(18,736)</b>	(23,988)
Administrative expenses		<b>(50,599)</b>	(55,887)
Finance costs		<b>(533)</b>	(1,118)
Share of profits and losses of associates		<b>–</b>	(1,681)
<b>PROFIT BEFORE TAX</b>	4	<b>103,874</b>	72,010
Tax	5	<b>(11,264)</b>	(8,737)
<b>PROFIT FOR THE PERIOD</b>		<b>92,610</b>	63,273
<b>Attributable to:</b>			
Equity holders of the Company		<b>90,430</b>	62,189
Minority interests		<b>2,180</b>	1,084
		<b>92,610</b>	63,273
<b>DIVIDEND</b>	6	<b>20,645</b>	18,397
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Basic	7	<b>HK22.12 cents</b>	HK15.21 cents
Diluted		<b>HK22.11 cents</b>	HK15.20 cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	For the six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<u>92,610</u>	<u>63,273</u>
Exchange differences on translation of foreign operations	<u>(268)</u>	<u>(8,415)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>(268)</u>	<u>(8,415)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>92,342</u>	<u>54,858</u>
<b>Attributable to:</b>		
Equity holders of the Company	<u>90,148</u>	<u>54,310</u>
Minority interests	<u>2,194</u>	<u>548</u>
	<u>92,342</u>	<u>54,858</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>Unaudited</b>	Audited
	<b>30 September</b>	31 March
	<b>2009</b>	2009
<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>532,023</b>	553,679
Investment properties	<b>36,591</b>	36,591
Prepaid land lease payments	<b>14,147</b>	14,286
Goodwill	<b>4,650</b>	4,650
Exploration and evaluation assets	<b>6,283</b>	–
Interests in associates	<b>(6,972)</b>	(7,028)
Deferred development costs	<b>7,492</b>	7,429
	<hr/>	<hr/>
Total non-current assets	<b>594,214</b>	609,607
<b>CURRENT ASSETS</b>		
Inventories	<b>145,693</b>	154,842
Accounts receivable	<b>253,923</b>	120,866
Prepayments, deposits and other receivables	<b>21,220</b>	19,594
Time deposits	<b>102,480</b>	50,131
Cash and bank balances	<b>185,607</b>	129,032
	<hr/>	<hr/>
Total current assets	<b>708,923</b>	474,465
<b>CURRENT LIABILITIES</b>		
Accounts and bills payable, accrued liabilities and other payables	<b>290,658</b>	146,585
Derivative financial instruments	–	798
Interest-bearing bank borrowings	<b>16,667</b>	14,583
Tax payable	<b>14,927</b>	8,377
Proposed interim dividend	<b>20,645</b>	–
	<hr/>	<hr/>
Total current liabilities	<b>342,897</b>	170,343
	<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>	<b>366,026</b>	304,122
	<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>960,240</b>	913,729

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

		Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
	<i>Notes</i>		
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>960,240</b>	913,729
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	10	<b>64,028</b>	72,361
Deferred tax liabilities		<b>12,698</b>	12,698
		<hr/>	<hr/>
Total non-current liabilities		<b>76,726</b>	85,059
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>883,514</b>	828,670
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Issued share capital	11	<b>40,882</b>	40,882
Reserves		<b>822,066</b>	752,063
Proposed final dividend		<b>–</b>	16,353
		<hr/>	<hr/>
		<b>862,948</b>	809,298
<b>Minority interests</b>		<b>20,566</b>	19,372
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>883,514</b>	828,670
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the six months ended 30 September 2009 (Unaudited)

	Attributable to equity holders of the Company										
	Reserves								Proposed final dividend	Minority interests	Total equity
	Issued share capital	Share premium account	Share option reserve	Asset revaluation reserve	Exchange fluctuation reserve	Contributed surplus	Retained profits	Total reserve			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2009	40,882	107,226	8,249	25,693	55,259	6,150	549,486	752,063	16,353	19,372	828,670
Total income and expenses for the period recognised directly in equity	-	-	-	-	(282)	-	-	(282)	-	14	(268)
Profit for the period	-	-	-	-	-	-	90,430	90,430	-	2,180	92,610
Total income and expenses for the period	-	-	-	-	(282)	-	90,430	90,148	-	2,194	92,342
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	(1,000)	(1,000)
Final 2009 dividend declared	-	-	-	-	-	-	-	-	(16,353)	-	(16,353)
Equity-settled share option expense	-	-	500	-	-	-	-	500	-	-	500
Proposed 2010 Interim Dividend (note 6)	-	-	-	-	-	-	(20,645)	(20,645)	-	-	(20,645)
At 30 September 2009	<u>40,882</u>	<u>107,226</u>	<u>8,749</u>	<u>25,693</u>	<u>54,977</u>	<u>6,150</u>	<u>619,271</u>	<u>822,066</u>	-	<u>20,566</u>	<u>883,514</u>

### For the six months ended 30 September 2008 (Unaudited)

	Attributable to equity holders of the Company										
	Reserves								Proposed final dividend	Minority interests	Total equity
	Issued share capital	Share premium account	Share option reserve	Asset revaluation reserve	Exchange fluctuation reserve	Contributed surplus	Retained profits	Total reserve			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2008	40,882	107,226	6,023	27,564	65,321	6,150	494,998	707,282	22,485	20,175	790,824
Total income and expenses for the period recognised directly in equity	-	-	-	-	(7,879)	-	-	(7,879)	-	(536)	(8,415)
Profit for the period	-	-	-	-	-	-	62,189	62,189	-	1,084	63,273
Total income and expenses for the period	-	-	-	-	(7,879)	-	62,189	54,310	-	548	54,858
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	(1,000)	(1,000)
Final 2008 dividend declared	-	-	-	-	-	-	-	-	(22,485)	-	(22,485)
Equity-settled share option expense	-	-	777	-	-	-	-	777	-	-	777
Interim 2009 dividend paid (note 6)	-	-	-	-	-	-	(18,397)	(18,397)	-	-	(18,397)
At 30 September 2008	<u>40,882</u>	<u>107,226</u>	<u>6,800</u>	<u>27,564</u>	<u>57,442</u>	<u>6,150</u>	<u>538,790</u>	<u>743,972</u>	-	<u>19,723</u>	<u>804,577</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited For the six months ended 30 September	
	2009 HK\$'000	2008 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	145,330	43,257
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(29,889)	(66,093)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<u>(6,250)</u>	<u>73,078</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	109,191	50,242
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	179,163	96,765
Effect of foreign exchange rate changes, net	<u>(267)</u>	<u>3,254</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>288,087</u></u>	<u><u>150,261</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	185,607	54,694
Non-pledged time deposits with original maturity of less than three months when acquired	<u>102,480</u>	<u>95,567</u>
	<u><u>288,087</u></u>	<u><u>150,261</u></u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKASs and Interpretations, Hong Kong Financial Reporting Standards (collectively, the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). These interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2009.

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2009 except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for periods beginning 1 January 2009. The effect of the adoption of these standards, amendments and interpretations was not material to the Group’s results of operations or financial position. However, the adoption of HKAS1 (revised) “Presentation of Financial Statements” has resulted in certain changes to the format of the Group’s accounts in 2009.

### 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 consisted of the manufacture and sale of electrical appliances, electronic toys and related products;
- (b) the motors segment consisted of the manufacture and sale of motors;
- (c) the feature plush and wooden toys segment consisted of the manufacture and sale of feature plush and wooden toys; and
- (d) the resources development segment consisted of the manufacture and sale of materials primarily for use in liquid crystal display and mine exploration.



## 2. SEGMENT INFORMATION (continued)

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

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

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

### (a) Operating segments

The following table presents revenue and result for the Group's operating segments for the six months ended 30 September 2009 and 2008.

	Unaudited for the six months ended 30 September											
	Electrical and electronic products		Motors		Feature plus and wooden toys		Resources development		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	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	555,648	622,907	201,399	204,939	30,961	97,613	1,845	2,392	-	-	789,853	927,851
Inter-segment sales	-	-	3,128	1,583	-	-	-	-	(3,128)	(1,583)	-	-
Other income and gain	3,104	2,900	2,048	6,870	583	-	-	92	-	-	5,735	9,862
Total	<u>558,752</u>	<u>625,807</u>	<u>206,575</u>	<u>213,392</u>	<u>31,544</u>	<u>97,613</u>	<u>1,845</u>	<u>2,484</u>	<u>(3,128)</u>	<u>(1,583)</u>	<u>795,588</u>	<u>937,713</u>
Segment results	<u>101,458</u>	<u>63,671</u>	<u>14,501</u>	<u>14,914</u>	<u>2,740</u>	<u>6,885</u>	<u>(10,826)</u>	<u>(4,986)</u>	<u>-</u>	<u>-</u>	<u>107,873</u>	<u>80,484</u>
Interest and unallocated gains											1,843	1,933
Unallocated expenses											(5,309)	(7,608)
Finance costs											(533)	(1,118)
Share of profits and losses of associates											-	(1,681)
Profit before tax											<u>103,874</u>	<u>72,010</u>

## 2. SEGMENT INFORMATION *(continued)*

### *(b) Geographical information*

		Unaudited for the six months ended 30 September											
		United States of America		Europe		Asia		Others		Eliminations		Consolidated	
		2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
		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		<u>263,079</u>	<u>440,874</u>	<u>211,082</u>	<u>180,938</u>	<u>250,893</u>	<u>227,496</u>	<u>64,799</u>	<u>78,543</u>	<u>-</u>	<u>-</u>	<u>789,853</u>	<u>927,851</u>

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

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

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts but excluding intra-group transactions. An analysis of revenue, other income and gains, net is as follows:

	Unaudited for the six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
<b>Revenue</b>		
Manufacture and sale of:		
Electrical and electronic products	555,648	622,907
Motors	201,399	204,939
Feature plush and wooden toys	30,961	97,613
Materials from resources development	1,845	2,392
	<u>789,853</u>	<u>927,851</u>
<b>Other income and gains, net</b>		
Bank interest income	319	518
Gross rental income	3,504	3,267
Sale of scrap materials	2,064	7,029
Fair value gain/(loss) on derivative financial instruments, net	798	(1,317)
Others	893	2,297
	<u>7,578</u>	<u>11,794</u>

#### 4. PROFIT BEFORE TAX

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

	<b>Unaudited for the six months ended 30 September</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Depreciation	<b>35,025</b>	27,444
Amortisation of prepaid land lease payments	<b>139</b>	159
Amortisation of deferred development costs	<b>3,010</b>	3,201
Amortisation of exploration and evaluation assets	<b>204</b>	–
Fair value (gain)/loss on derivative financial instruments, net	<b>(798)</b>	1,317
Bank interest income	<b>(319)</b>	(518)
	<u><b>31,261</b></u>	<u>33,603</u>

#### 5. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) 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, based on existing legislation, interpretations and practices in respect thereof.

	<b>Group Unaudited for the six months ended 30 September</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Current period provision:		
Hong Kong	<b>11,114</b>	8,462
Elsewhere	<b>150</b>	275
	<u><b>11,264</b></u>	<u>8,737</u>
Total tax charge for the period	<u><b>11,264</b></u>	<u>8,737</u>

There was no significant unprovided deferred tax in respect of the period and as at the balance sheet date (2008: Nil).

## 6. DIVIDEND

The directors have declared an interim dividend of HK5 cents per share in respect of the six months ended 30 September 2009 to shareholders whose names appear on the register of members on 31 December 2009. The dividend will be paid on 8 January 2010.

<b>Unaudited</b>	
<b>for the six months ended</b>	
<b>30 September</b>	
<b>2009</b>	<b>2008</b>
<b>HK\$'000</b>	<b>HK\$'000</b>

Interim – HK5 cents (2008: HK4.5 cents) per ordinary share

<b>20,645</b>	<b>18,397</b>
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## 7. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the period attributable to equity holders of the Company of HK\$90,430,000 (2008: HK\$62,189,000) and the weighted average number of 408,816,000 (2008: weighted average of 408,816,000) ordinary shares in issue during the period.

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\$90,430,000 (2008: HK\$62,189,000) and 408,981,926 (2008: 408,923,048) ordinary shares, being the weighted average number of shares outstanding during the period, adjusted for the effects of the dilutive potential ordinary shares outstanding during the period.

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

<b>Unaudited</b>	
<b>for the six months ended</b>	
<b>30 September</b>	
<b>2009</b>	<b>2008</b>

Weighted average number of ordinary shares used in calculating basic earnings per share

<b>408,816,000</b>	408,816,000
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Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the period

<b>165,926</b>	107,048
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Weighted average number of ordinary shares used in calculating diluted earnings per share

<b>408,981,926</b>	408,923,048
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## 8. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit, except for new customers, where cash on sale or payment in advance is normally required. The credit period is generally for a period of one month, extending up to two 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 a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable mainly relate to recognised and creditworthy customers, there is no significant credit risk. Accounts receivable are non-interest-bearing.

An aged analysis of the Group's accounts receivable as at the balance sheet date, based on the invoice date, is as follows:

	<b>Unaudited</b> <b>30 September</b> <b>2009</b> <b>HK\$'000</b>	Audited 31 March 2009 HK\$'000
0-30 days	<b>167,259</b>	84,606
31-60 days	<b>73,243</b>	27,232
61-90 days	<b>10,099</b>	7,519
Over 90 days	<b>7,796</b>	5,982
	<b>258,397</b>	125,339
Less: Impairment allowance	<b>(4,474)</b>	(4,473)
	<b>253,923</b>	120,866

The substantial increase in the accounts receivables is owing to the seasonal factor where September (30 September 2008: HK\$235,239,000) is the high season and March (31 March 2008: HK\$177,280,000) is the low season. The Group considered such balances are normal and healthy.

## 9. ACCOUNTS AND BILLS PAYABLE, ACCRUED LIABILITIES AND OTHER PAYABLES

An ageing of the Group's accounts and bills payable as at the balance sheet date, based on invoice date, and the balance of accrued liabilities and other payables are as follow:

	<b>Unaudited</b> <b>30 September</b> <b>2009</b> <b>HK\$'000</b>	Audited 31 March 2009 HK\$'000
0-30 days	<b>119,456</b>	45,032
31-60 days	<b>63,396</b>	22,988
61-90 days	<b>32,690</b>	4,406
Over 90 days	<b>5,097</b>	1,716
	<hr/>	<hr/>
Accounts and bills payable	<b>220,639</b>	74,142
Accrued liabilities	<b>52,956</b>	51,989
Other payables	<b>17,063</b>	20,454
	<hr/>	<hr/>
	<b>290,658</b>	146,585
	<hr/> <hr/>	<hr/> <hr/>

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.

## 10. INTEREST-BEARING BANK BORROWINGS

### Group

	Effective interest rate	Maturity	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
<b>Current</b>				
Bank loan – unsecured	HIBOR+1.5%	2010	3,333	3,333
Bank loan – unsecured	HIBOR+1%	2009-2010	<u>13,334</u>	<u>11,250</u>
			<b>16,667</b>	14,583
<b>Non-current</b>				
Bank loan – unsecured	HIBOR+1.5%	2010	1,945	3,611
Bank loan – unsecured	HIBOR+1%	2010-2012	<u>62,083</u>	<u>68,750</u>
			<b>64,028</b>	72,361
			<u><b>80,695</b></u>	<u>86,944</u>

### Company

	Effective interest rate	Maturity	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
<b>Current</b>				
Bank loan – unsecured	HIBOR+1%	2009-2010	<u>13,334</u>	<u>11,250</u>
<b>Non-current</b>				
Bank loan – unsecured	HIBOR+1%	2010-2012	<u>62,083</u>	<u>68,750</u>
			<u><b>75,417</b></u>	<u>80,000</u>

The Group's banking facilities are supported by corporate guarantees given by the Company and certain subsidiaries of the Company.

The carrying amounts of the Group's bank borrowings approximate to their fair values.

## 11. SHARE CAPITAL

	<b>Unaudited 30 September 2009 HK\$'000</b>	Audited 31 March 2009 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u><b>100,000</b></u>	<u>100,000</u>
Issued and fully paid:		
408,816,000 (31 March 2009: 408,816,000) ordinary shares of HK\$0.10 each	<u><b>40,882</b></u>	<u>40,882</u>

## 12. CONTINGENT LIABILITIES

At the balance sheet date, the Company had provided guarantees of HK\$98,700,000 (31 March 2009: HK\$141,600,000) and HK\$14,500,000 (31 March 2009: HK\$14,500,000) in respect of banking facilities granted to certain of its subsidiaries and associates, of which HK\$5,278,000 (31 March 2009: HK\$6,944,000) and HK\$8,300,000 (31 March 2009: HK\$11,859,000) had been utilised as at the balance sheet date, respectively.



## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 28 December 2009 to Thursday, 31 December 2009 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 September 2009, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 24 December 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 September 2009, leading economies were pulling the world out of an economic vortex at surprising if modest speed. Although recovery was still in its early stage, the Kin Yat Group succeeded in achieving a sterling performance by maintaining progressive but disciplined business development and proactively managing its multi-pillar business portfolio.

The Group operates three core research-and-development-based industrial disciplines, including an electrical and electronic product unit which develops electronic toys and appliances; an electric micro-motor production unit; and, as a new growth driver, a resources-development operation. In addition, the Group has leveraged its portfolio of clients and its production capacity for electronic toys to gain ground in the plush toy business arena.

Fiscal 2009/10 concluded the first half with a 45% year-on-year growth in profit attributable to equity holders of HK\$90,430,000 (2008: HK\$62,189,000). The Group's continuous efforts to control costs, automate production procedures, build worker skills to enhance efficiency, and optimize raw material procurement through diversification of vendors, also produced admirable improvements in both the gross and net profit margins. As active business developments across the Group were offset by some order decreases amid the recession, there was a moderate 15% decline in turnover to HK\$789,853,000 (2008: HK\$927,851,000).

Notwithstanding the macro and operational challenges, the Group has entered the year with a clear strategy, a strong balance sheet and healthy sales performance. With strong management guidance and the support of a sound financial position, we will cope actively with such new challenges as mounting inflation expectations and tighter industry and public scrutiny, in order to navigate the Group through market difficulties and secure sustainable performance.

We are confident that our multi-pillar business strategy, together with timely investments to incubate new business segments, will continue to deliver a healthy and balanced revenue portfolio to ride out segmental business cycles. This combination will also form a solid foundation to maintain positive momentum and to benefit from the upside of improving economic conditions expected towards the end of 2010.

During the six months to 30 September 2009, the electrical and electronic product line contributed 70% (2008: 67%) of the Group's turnover, while the motor division accounted for 25% (2008: 22%) of total turnover. The feature plush and wooden toys segment brought sales contribution amounting to 4% (2008: 11%) of the Group's total.

### **Business Strategy and Growth Direction**

The Group will continue to work on furthering segmental sales performance while exploring new growth opportunities. Customized business plans are under development for the incubation and nurturing of each individual business segment to maximize its development potential.

The stable income streams from the multi-pillar business portfolio have placed the Group on a strong financial footing to support investments to capture longer-term growth opportunities. This leaves the Group well prepared to take advantage of opportunities arising during financial hard times, positioning it to widen its market foothold amid industry consolidation and to seize new market openings.

We also envisage that expanding our presence in new geographical markets, in particular in mainland China, will be an important component of our growth strategy into the future. Further geographical diversification will bring an added element of stability, contributing to the Group's steady-paced long-term development.

While continuously exercising stringent cost controls and tightening efficiency across all its operations, the Group continues its policy of investing in research and development in order to sustain its edge in high-value-added manufacturing. It also continues to progress its plans to upgrade existing facilities, establish testing laboratories and install effective quality-control mechanisms, seeking not just to comply with increasingly stringent environmental and quality standards being imposed on manufacturers, but to keep well ahead of them. Its steady investments in this area have positioned the Group as one of the leading manufacturers capable of meeting the industry's highest levels of sophistication, quality and environmental compliance.

### **Operational Review**

The Group currently operates three major development and manufacturing centers, in Shenzhen and Shaoguan, customized to the production of toys, appliances and motors, of varying technical and manpower requirements. This diversified production base better positions the Group to meet today's demand for just-in-time and cost-effective manufacturing solutions.

#### ***Electrical and Electronic Products***

This segment engages in two areas of activity: an electronic toy development, engineering and manufacturing business, and an electrical appliances operation specializing in artificial-intelligence (AI) products.

The financial performance of the electrical and electronic toys stream continued to be fueled by a healthy order book supported by the success of several blockbuster movies, albeit to some extent offset by the adverse impact of the financial tsunami. The segment succeeded in scoring strong advances in profit margins which drove the Group's overall improvement in margins and net earnings. Segmental turnover contracted 11% year on year.

The toys line's strategic focus on the movie-and-entertainment sector has helped fill the Group's order book for the remainder of the year, with momentum continuing to be underpinned by the scheduled release of certain action-hero movies in 2010 and 2011.

The electrical appliances line also delivered stable performance in the first half. While sales contribution of the vacuum-cleaning robot series was still healthy, the Group is actively growing its product range by developing relevant new products.

Preliminary new product development efforts centered on accessories in relation to television games and healthcare appliances. Active business and product development on the line of small home appliances also drove a mild increase in sales in the first half.

As part of its strategy for countering the challenging operating environment, the Group will continue its investments in automation to replace labor-intensive processes, thereby reducing labor costs and assuring quality conformance. On the marketing front, it is taking measured actions to tap further into the mainland's domestic demand for high-quality, sophisticated toys and appliances. The Group's house-designed appliances and plush toys are scheduled to be on shop shelves in China by the first half of 2010.

### ***Motors***

The micro-motor segment registered stable results with only a slight 2% year-on-year decrease in turnover during the period under review amid slowed market demand in the wake of the financial crisis. This encouraging set of results reflects the segment's successful penetration into non-toy customer sectors. During the half-year period, the segment achieved notable success in growing sales in the office automation arena. The segment was developed primarily with a toy-focused clientele and business development efforts in the past few years have afforded it a broadened end-user base encompassing customers in the automotive, household and personal-care, as well as office automation and audio-visual equipment sectors.

The acquisition of the productive assets of Sun Motor Group in the previous fiscal year also outlined a distinct path to developing new competences in AC and other types of motors to complement the segment's existing DC product line in serving new customer bases. The half year was the first full period of operation since the acquisition was completed in February 2009, and the segment's results were inevitably affected by the appropriation of resources to realign and strengthen the operation of the new motor division. We expect full-year segment results to be challenged to some extent as restructuring efforts continue to be rolled out in the remainder of the year.

Despite the charging of restructuring-related costs to, and the impact of commodity price hikes on, the bottom line, we are encouraged by the improvement, albeit modest, in the segment's gross and net profit margins. One major contributing factor to the improvement is the segment's successful foray into high-margin products. Consistent efforts in cost control and efficiency enhancement also had a lasting and positive impact on segment results.

The incorporation of Sun Motor Group's competences into the motor division will strengthen its overall competitive position in the aspects of capability, capacity and clientele profile. With an expanded and enhanced operating platform, the segment is also in a sound financial and competitive position to exploit further business opportunities as they arise. We are confident of the future prospects of the segment being developed into another growth driver yielding attractive returns for the Group.

### ***Resources Development***

The resources-development division continues to facilitate the Group's strategy to pursue long-term growth and returns, and represents a key component of the management's long-standing commitment to business diversification.

### ***Materials Development***

The segment continued to be actively engaged in the research and development of more technologically advanced products, such as Indium Tin Oxide target, which is used in the production of transparent electrically conductive glue for liquid crystal display monitors.

### *Natural Resources Development*

In 2007, the Group embarked on geological exploration works on an ore mine of an area of approximately 39.23 square kilometers located in Lantian County, Xian City, Shaanxi Province, China (陝西省西安市藍田縣), following the acquisition of a 70% equity interest in Xian Jinshi Mining Company Limited (西安金石礦業有限公司).

The exploration works outlined the variations in geologic features, formation background, shape and size of strata, and ore deposit thickness within an area of 1.4 square kilometers. There is also a fundamental understanding of the structure and formation of ore deposits in this polymetallic ore mine. From the results of chemical analysis of the ores, the average metal content ranges from 6.49% to 9.74% for lead, 0.42% to 0.63% for zinc, 0.25% to 0.38% for copper, 1.10 grams/tonne to 1.65 grams/tonne for gold and 36.41 grams/tonne to 54.62 grams/tonne for silver. Such initial findings point to the long-term potential of developing the mine area into a mid-sized project. Under industry classification, a mining project of medium scale has long-term metallic reserve estimates of 100,000 tonnes. This encouraging discovery is of significant and guiding value for the ongoing development of the project.

Based on the positive results of the exploration work, the Group is expanding and expediting the exploration of other veins within the mine area. Documents to apply for an exploitation license have already been submitted to the Land and Resources Bureau of Shaanxi Province (陝西省國土資源廳) in September 2009, with approval expected by mid-2010.

In preparation for the award of the exploitation license, the Group is currently moving forward plans to build a beneficiation plant for the processing of ore excavated from the mine. The site for the plant has been identified and related land acquisition work is now under way.

Progress of the project has been satisfactory. The Group holds an optimistic outlook for the ongoing development of this project and expects it to grow into a new earnings contributor in the future.

### ***Feature Plush and Wooden Toys***

This segment, a spin-off from the core electronic toys operation, produces a broad range of feature plush, wooden and educational toys. The plush toy line, built on Kin Yat's premise of innovation and quality, has quickly made inroads into both the conventional toy and movie-and-entertainment sectors. The non-electronic toys segment experienced a decrease in turnover due to the lack of hot movie-related items during the first half.

To mitigate the business fluctuations tied in with movie releases, the segment has moved forward to develop ODM and OBM lines of plush and wooden toys on the back of its expertise in design and engineering, as well as strong manufacturing capabilities. The first batch of ODM plush toys will be on the shelves by the first half of 2010. Initially the segment seeks to establish sales channels for its house-designed non-electronic toys in major mainland cities.

### **Outlook**

Since its inception the Group has established a strong niche in research-and-development-driven production. This has allowed it to rise above the fierce competition in the lower-end segment and gain a firm foothold in the high-value-added market. By building up expertise, we are able to deliver high-quality services to customers at competitive prices, while operating within ever more stringent quality and environmental constraints. We are confident that our strong fundamentals will be key to our robust performance for the year.

We are mindful of the risks and uncertainties in today's operating environment. As such, the Kin Yat Group will continue to remain meticulous in seeking new opportunities for sustaining steady growth. The outlook for the medium term remains promising as the Group will continue to benefit from its strong fundamentals.

The diverse income-base spread as a result of timely investments, and as directed by the strong vision of the management, has also formed a solid platform to support the Group's new business pursuits with an aim of consistently optimizing shareholder value.



Kin Yat's management will vigorously prepare steps to move the Group's business strategies forward and execute them during uncertain times ahead. At the same time, as inflationary pressures are building in key sectors, we will continue to tightly control costs through custom-designed production processes and increased automation.

The most effective way of dealing with the new market reality is with a determined yet highly disciplined stand. Kin Yat has always fulfilled its promise of delivering return to shareholders while remaining a disciplined enterprise resilient to economic cycles. This pledge to shareholders remains unchanged.

### **LIQUIDITY AND FINANCIAL POSITION**

The Group primarily used its internally generated cash flow and banking facilities to finance its operations and business development during the period. The Group adopts a prudent and conservative policy in its financial management. At the end of the financial period, the Group's aggregated time deposits and cash and bank balances amounted to HK\$288 million (31 March 2009: HK\$179 million). In addition, the Group currently maintains aggregate composite banking facilities of approximately HK\$169 million (31 March 2009: HK\$252 million) with various banks, of which HK\$81 million (31 March 2009: HK\$87 million) has been utilised as at 30 September 2009.

The Group continues to enjoy healthy financial position. As at 30 September 2009, the current ratio (current assets divided by current liabilities) was 2.1 times (31 March 2009: 2.8 times) and the gearing ratio (total interest-bearing bank borrowings divided by total equity) was 9.1% (31 March 2009: 10.5%).

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2009, the Group employed over 15,000 full-time employees, of which approximately 50 were based in Hong Kong with remainder in China.

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 China, the Group provides its employees staff welfare and allowances in accordance with prevailing labour law. The Group has also put in place a share option scheme to motivate and reward performing staff. At the discretion of the Board of Directors, the Group's employees will be granted options, the amount of which is determined by performance and rank of individual employees.



## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2009, the interests of the directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

### (A) Shares

Name of director	Long position/ short position	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issue share capital
Cheng Chor Kit	Long position	Founder of a trust	273,124,000 <i>(Note)</i>	66.81%
Fung Wah Cheong	Long position	Beneficial owner	4,200,000	1.03%
Wong Weng Loong	Long position	Beneficial owner	58,000	0.01%
Wong Wai Ming	Long position	Beneficial owner	40,000	0.01%

*Note:* These shares are held by Resplendent Global Limited ("Resplendent"), a company incorporated in the British Virgin Islands. Padora Global Inc. ("Padora") is the beneficial owner of all the issued share capital of Resplendent. Padora is a company incorporated in the British Virgin Islands and is wholly-owned by Polo Asset Holdings Limited, which is ultimately owned by the trustees of a discretionary trust established by Cheng Chor Kit for his family.

## (B) Underlying Shares

Name of director	Long position/ short position	Capacity	No. of underlying shares in respect of share options held and approximate percentage of shareholding	Date of share options granted	Exercise period	Exercise price per share
Cheng Chor Kit	Long position	Beneficial owner	2,000,000 (0.49%)	14/11/2003	14/11/2006- 13/11/2013	HK\$1.592
		Beneficial owner	1,300,000 (0.32%)	4/10/2006	4/10/2009- 3/10/2016	HK\$1.03
		Interest hold by spouse	1,200,000 (0.29%)	4/10/2006	4/10/2009- 3/10/2016	HK\$1.03
Fung Wah Cheong	Long position	Beneficial owner	700,000 (0.17%)	4/10/2006	1/8/2007- 3/10/2016	HK\$1.03
		Beneficial owner	2,500,000 (0.61%)	8/10/2007	1/8/2008- 7/10/2017	HK\$2.52
		Beneficial owner	2,500,000 (0.61%)	23/7/2009	23/7/2009- 22/7/2019	HK\$1.426
Wong Wai Ming	Long position	Beneficial owner	296,000 (0.07%)	4/10/2006	4/10/2009- 3/10/2016	HK\$1.03
Wong Weng Loong	Long position	Beneficial owner	150,000 (0.04%)	4/10/2006	4/10/2009- 3/10/2016	HK\$1.03
		Beneficial owner	500,000 (0.12%)	14/3/2008	14/3/2009- 13/3/2018	HK\$1.99

Save as disclosed above, none of the directors and chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any person or entity that provides research, development or other technological support to the Group, the Company's shareholders and any minority shareholder in the Company's subsidiaries. The Scheme became effective on 20 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The following share options were outstanding under the Scheme during the period:

	Date of share options granted	Number of share options				At 30 September 2009	Exercise period	Exercise price per share HK\$	Price of Company's shares at grant date of options** HK\$
		At 1 April 2009	Granted during the period	Exercised during the period	Lapsed during the period				
<b>Directors</b>									
Cheng Chor Kit	14/11/2003	2,000,000	-	-	-	2,000,000	14/11/2006-13/11/2013	1.592	1.60
	4/10/2006	2,500,000	-	-	-	2,500,000*	4/10/2009-3/10/2016	1.03	1.03
Fung Wah Cheong	4/10/2006	700,000	-	-	-	700,000	1/8/2007-3/10/2016	1.03	1.03
	8/10/2007	2,500,000	-	-	-	2,500,000	1/8/2008-7/10/2017	2.52	2.52
	23/7/2009	-	2,500,000	-	-	2,500,000	23/7/2009-22/7/2019	1.426	1.40
Wong Wai Ming	4/10/2006	296,000	-	-	-	296,000	4/10/2009-3/10/2016	1.03	1.03
Wong Weng Loong	4/10/2006	150,000	-	-	-	150,000	4/10/2009-3/10/2016	1.03	1.03
	14/3/2008	500,000	-	-	-	500,000	14/3/2009-13/3/2018	1.99	1.99
<b>Other employees</b>									
In aggregate	14/11/2003	502,000	-	-	-	502,000	14/11/2006-13/11/2013	1.592	1.60
	4/10/2006	2,462,000	-	-	-	2,462,000	4/10/2009-3/10/2016	1.03	1.03
		<u>11,610,000</u>	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>14,110,000</u>			

\* Among the 2,500,000 share options held by Cheng Chor Kit, 1,200,000 share options are held by his spouse.

\*\* The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing prices on the trading day immediately prior to the date of the grant of the options.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section headed "Directors' and Chief Executive's interests and short positions in shares and underlying shares" and "Share option scheme" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2009, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity of interest and nature	Number of ordinary shares held	Approximate percentage of the Company's issued share capital	Number of share options held
Cheng Chor Kit	Through a controlled corporation	273,124,000 <i>(Notes 1, 4)</i>	66.81	4,500,000 <i>(Notes 2, 4)</i>
Hallgain Management Limited ("Hallgain")	Through a controlled corporation	28,762,000 <i>(Note 3)</i>	7.04	–

*Note 1:* These shares were held through Resplendent.

*Note 2:* Among these share options, 1,200,000 share options were held by the spouse of Cheng Chor Kit.

*Note 3:* These shares were held by Kingboard Investment Limited ("KIL"). Jamplan (BVI) Limited ("Jamplan") is the beneficial owner of all the issued share capital of KIL while Jamplan is wholly owned by Kingboard Chemical Holdings Limited ("KCHL"), which is owned as to approximately 30.97% of the entire issued share capital of KCHL by Hallgain.

*Note 4:* This refers to the same shareholding of Cheng Chor Kit mentioned in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above.

The details of the share options outstanding during the period are separately disclosed in the section headed "Share option scheme" disclosed above.

Saved as disclosed above, as at 30 September 2009, no person, other than Cheng Chor Kit, whose interests are set out in the section "Directors' and Chief Executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **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.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the directors, the Company has complied with the code provisions as set out in the Code of Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules of the Stock Exchange throughout the six months ended 30 September 2009 except for the deviation from provision A.2.1 of the CG Code.

Under the code provision A.2.1, the role of chairman and chief executive officer ("CEO") shall be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. The roles of the chairman and the CEO of the Company are not separated and performed by the same individual, Cheng Chor Kit. The balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meets regularly to discuss issue affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of the Company's directors, all directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the accounting period covered by the interim report.

## AUDIT COMMITTEE

The Company has an audit committee with terms of reference aligned with the provisions of the CG Code as set out in Appendix 14 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls.

As at the date of this report, the audit committee comprised Sun Kwai Yu, Vivian (Chairman of the committee), Chung Chi Ping, Roy and Wong Chi Wai, Albert, the three independent non-executive directors, and the Chairman of the audit committee has the required appropriate professional financial qualifications and experience.

During the period, the audit committee reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the annual report for the year ended 31 March 2009 and the interim report for the six months ended 30 September 2009.

## REMUNERATION COMMITTEE

The remuneration committee was established with a particular responsibility to review the Company's remuneration policy for directors and members of the senior management. The remuneration committee currently comprises Chung Chi Ping, Roy (Chairman of the committee), Wong Chi Wai, Albert and Sun Kwai Yu, Vivian, the non-executive directors of the Company, and Cheng Chor Kit and Fung Wah Cheong, the two executive directors of the Company.

The directors' fees are subject to shareholders' approval at general meetings. Emoluments are determined by the remuneration committee with reference to the employee's duties, responsibilities and performance and the results of the Group. Subject to the Group's profitability, the Group may also provide a discretionary bonus to its employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Company's executive directors is to enable the Company to retain and motivate executive directors by linking their compensation with performance as measured against corporate objective achieved.

### **NOMINATION COMMITTEE**

The Nomination Committee was established with specific terms of reference. The nomination committee currently comprises Wong Chi Wai, Albert (Chairman of the committee), Chung Chi Ping, Roy and Sun Kwai Yu, Vivian, the non-executive directors of the Company, and Cheng Chor Kit and Fung Wah Cheong, the two executive directors of the Company. The nomination committee meets at least once each year. The nomination committee is responsible for recommending to the Board all new appointments of directors.

The nomination committee considers the past performance and qualification of the candidates for directors, general market conditions and the Company's Bye-laws in selecting and recommending candidates for directorship during the period under review.

### **BOARD OF DIRECTORS**

As at the date of this interim financial report, the Board consists of four executive directors, Cheng Chor Kit, Fung Wah Cheong, Wong Wai Ming and Wong Weng Loong and three independent non-executive directors, Chung Chi Ping, Roy, Wong Chi Wai, Albert and Sun Kwai Yu, Vivian.

On behalf of the Board  
**Cheng Chor Kit**  
*Chairman*

Hong Kong, 3 December 2009