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 Report

for the six months ended 30 September 2012

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 2012 together with the comparative figures for the corresponding period in 2011. This interim financial report has not been audited, but has been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited for the six months ended 30 September	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**1,031,629**	888,977
Cost of sales		**(909,291)**	(814,771)
Gross profit		**122,338**	74,206
Other income and gains, net	*3*	**34,735**	9,277
Selling and distribution expenses		**(24,243)**	(22,475)
Administrative expenses		**(78,756)**	(77,587)
Finance costs		**(2,856)**	(1,928)
PROFIT/(LOSS) BEFORE TAX	*4*	**51,218**	(18,507)
Income tax expense	*5*	**(18,452)**	(5,206)
PROFIT/(LOSS) FOR THE PERIOD		**32,766**	(23,713)
ATTRIBUTABLE TO:			
Owners of the Company		**39,367**	(21,087)
Non-controlling interests		**(6,601)**	(2,626)
		32,766	(23,713)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*7*		
Basic		**HK9.40 cents**	HK(5.04) cents
Diluted		**HK9.40 cents**	HK(5.04) cents

Details of the dividends are disclosed in note 6 to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited for the six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**32,766**	(23,713)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		
Reversal of deferred tax liabilities upon disposal of items of property, plant and equipment	**320**	–
Release of exchange fluctuation reserve upon disposal of subsidiaries	**(10,611)**	–
Exchange differences on translation of foreign operations	**(61)**	–
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD	**22,414**	(23,713)
ATTRIBUTABLE TO:		
Owners of the Company	**29,015**	(21,087)
Non-controlling interests	**(6,601)**	(2,626)
	22,414	(23,713)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 September 2012 HK$'000	Audited 31 March 2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**704,763**	703,032
Prepaid land lease payments		**22,579**	22,852
Goodwill		**4,650**	4,650
Interests in associates		**(7,833)**	(7,833)
Intangible assets		**28,560**	26,366
Deposits	*9*	**37,719**	19,596
Total non-current assets		**790,438**	768,663
CURRENT ASSETS			
Assets classified as held for sale	*15*	**–**	50,482
Inventories		**301,928**	338,180
Accounts receivable	*8*	**223,003**	217,137
Prepayments, deposits and other receivables	*9*	**145,778**	77,977
Financial assets at fair value through profit or loss		**13,698**	11,800
Time deposits		**69,792**	79,775
Cash and bank balances		**203,608**	159,589
Total current assets		**957,807**	934,940
CURRENT LIABILITIES			
Accounts and bills payable, accrued liabilities and other payables	*10*	**373,731**	335,764
Interest-bearing bank borrowings	*11*	**152,560**	153,478
Amounts due to non-controlling shareholders		**24,294**	17,450
Tax payable		**35,938**	22,095
Total current liabilities		**586,523**	528,787
NET CURRENT ASSETS		**371,284**	406,153
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,161,722**	1,174,816

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

	Notes	Unaudited 30 September 2012 HK$'000	Audited 31 March 2012 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,161,722**	1,174,816
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	11	**132,404**	154,038
Deferred tax liabilities		**13,636**	19,535
Total non-current liabilities		**146,040**	173,573
NET ASSETS		**1,015,682**	1,001,243
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	12	**41,875**	41,875
Reserves		**995,566**	974,526
		1,037,441	1,016,401
Non-controlling interests		**(21,759)**	(15,158)
TOTAL EQUITY		**1,015,682**	1,001,243

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012 (Unaudited)

	Attributable to owners of the Company										
		Reserves									
	Issued share capital *HK$'000*	Share premium account *HK$'000*	Share option reserve *HK$'000*	Asset revaluation reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Contributed surplus *HK$'000*	Other reserve *HK$'000*	Retained profits *HK$'000*	Total reserves *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2012	41,875	124,530	6,038	60,653	83,237	6,150	(8,940)	702,858	974,526	(15,158)	1,001,243
Reversal of deferred tax liabilities upon disposal of items of property, plant and equipment	–	–	–	320	–	–	–	–	320	–	320
Release upon disposal of property, plant and equipment	–	–	–	(1,939)	–	–	–	1,939	–	–	–
Release upon disposal of subsidiaries	–	–	–	(8,236)	–	–	–	8,236	–	–	–
Release of exchange fluctuation reserve upon disposal of subsidiaries *(note 15)*	–	–	–	–	(10,611)	–	–	–	(10,611)	–	(10,611)
Exchange differences on translation of foreign operations	–	–	–	–	(61)	–	–	–	(61)	–	(61)
Profit for the period	–	–	–	–	–	–	–	39,367	39,367	(6,601)	32,766
Total comprehensive income/(expense) for the period	–	–	–	(9,855)	(10,672)	–	–	49,542	29,015	(6,601)	22,414
Final 2012 dividend paid *(note 6)*	–	–	–	–	–	–	–	(8,375)	(8,375)	–	(8,375)
Equity-settled share option expense	–	–	400	–	–	–	–	–	400	–	400
At 30 September 2012	**41,875**	**124,530**	**6,438**	**50,798**	**72,565**	**6,150**	**(8,940)**	**744,025**	**995,566**	**(21,759)**	**1,015,682**
At 1 April 2011	41,875	124,530	5,194	42,537	83,011	6,150	(8,940)	750,053	1,002,535	(8,643)	1,035,767
Loss for the period	–	–	–	–	–	–	–	(21,087)	(21,087)	(2,626)	(23,713)
Total comprehensive expense for the period	–	–	–	–	–	–	–	(21,087)	(21,087)	(2,626)	(23,713)
Final 2011 dividend paid *(note 6)*	–	–	–	–	–	–	–	(18,844)	(18,844)	–	(18,844)
Equity-settled share option expense	–	–	425	–	–	–	–	–	425	–	425
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	–	–	–	12	12
At 30 September 2011	41,875	124,530	5,619	42,537	83,011	6,150	(8,940)	710,122	963,029	(11,257)	993,647

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited for the six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**96,464**	(84,695)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(39,815)**	(110,942)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**(22,552)**	198,264
NET INCREASE IN CASH AND CASH EQUIVALENTS	**34,097**	2,627
Cash and cash equivalents at beginning of period	**239,364**	214,527
Effect of foreign exchange rate changes, net	**(61)**	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**273,400**	217,154
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**203,608**	163,978
Non-pledged time deposits	**69,792**	53,176
	273,400	217,154

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed interim consolidated financial statements do not include all the information and discussion required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2012.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for leasehold land and buildings, investment properties, assets classified as held for sale and financial assets at fair value through profit or loss, which have been measured at fair value, as appropriate. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012 except as described by below. In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by HKICPA which are effective for the Group's financial year beginning on 1 April 2012.

HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

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 electrical appliances, electronic toys and related products;

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

(c) the resources development segment consists of the manufacture and sale of materials primarily for use in panel display, mine exploration, ore processing and sale of mineral products; and

(d) other manufacturing activities segment consists of the manufacture and sale of feature plush, wooden toys and encoder film.

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 following table presents revenue and result for the Group's operating segments for the six months ended 30 September 2012 and 2011.

	Unaudited for the six months ended 30 September											
	Electrical and electronic products		Motors		Resources development		Other manufacturing activities		Eliminations		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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	**710,212**	534,025	**254,695**	302,673	**23,480**	4,351	**43,242**	47,928	**–**	–	**1,031,629**	888,977
Intersegment sales	**826**	1,165	**6,080**	8,382	**–**	–	**1,426**	824	**(8,332)**	(10,371)	**–**	–
Other income and gains, net	**1,132**	2,991	**6,340**	9,467	**57**	4	**81**	162	**–**	–	**7,610**	12,624
Total	**712,170**	538,181	**267,115**	320,522	**23,537**	4,355	**44,749**	48,914	**(8,332)**	(10,371)	**1,039,239**	901,601
Segment results	**102,267**	43,541	**(29,854)**	(26,467)	**(33,810)**	(21,691)	**1,399**	510	**–**	–	**40,002**	(4,107)
Interest and unallocated gains											**27,125**	3,192
Unallocated expenses											**(13,053)**	(15,664)
Finance costs											**(2,856)**	(1,928)
Profit/(Loss) before tax											**51,218**	(18,507)

(b) Geographical information

	Unaudited for the six months ended 30 September									
	United States of America		Europe		Asia		Others		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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	**289,967**	218,014	**251,994**	199,899	**384,289**	397,316	**105,379**	73,748	**1,031,629**	888,977

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	
	2012	2011
	HK$'000	*HK$'000*
Revenue		
Manufacture and sale of:		
Electrical and electronic products	**710,212**	534,025
Motors	**254,695**	302,673
Materials and products from resources development	**23,480**	4,351
Products from other manufacturing activities	**43,242**	47,928
	1,031,629	888,977
Other income and gains, net		
Bank interest income	**1,361**	1,138
Gross rental income	**705**	2,802
Sale of scrap materials	**6,349**	10,592
Gain/(loss) on disposal of items of property, plant and equipment, net	**2,584**	(17)
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	**1,898**	(6,538)
Gain on disposal of subsidiaries *(note 15)*	**20,760**	–
Others	**1,078**	1,300
	34,735	9,277

4. PROFIT/(LOSS) BEFORE TAX

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

	Unaudited for the six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
Depreciation	**38,879**	39,526
Amortisation of prepaid land lease payments	**287**	224
Amortisation of deferred development costs	**3,223**	2,676
Loss/(gain) on disposal of items of property, plant and equipment, net	**(2,584)**	17
Gain on disposal of subsidiaries *(note 15)*	**(20,760)**	–
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	**(1,898)**	6,538
Bank interest income	**(1,361)**	(1,138)

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

Pursuant to the Enterprise Income Tax Law (the "New PRC Tax Law") of the People's Republic of China (the "PRC") being effective on 1 January 2008, the PRC income tax rate is unified at 25% for all enterprises. Under an implementation guidance note of the New PRC Tax Law, enterprises established before the publication of the New PRC Tax Law were entitled to preferential treatments of a reduced corporate income tax rate (the "CIT rate") granted by the relevant tax authorities. The new CIT rate would be gradually increased from the preferential rate to 25% within 5 years after the effective date of the New PRC Tax Law on 1 January 2008. Enterprises that were entitled to exemptions or reductions from the standard income tax rate for a fixed term prior to 1 January 2008 might continue to enjoy such treatment until the fixed term expires.

	Unaudited for the six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
Current period provision:		
Hong Kong	**7,660**	3,446
Elsewhere	**10,740**	2,164
Deferred	**52**	(404)
Total tax charge for the period	**18,452**	5,206

6. DIVIDENDS

	Unaudited for the six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
Dividends paid during the period		
Final in respect of the financial year ended 31 March 2012 – HK2.0 cents per ordinary share (2011: final dividend of HK4.5 cents per ordinary share, in respect of the financial year ended 31 March 2011)	**8,375**	18,844

The directors resolve not to pay an interim dividend for the six months ended 30 September 2012 (2011: Nil).

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

The calculation of basic earnings/(loss) per share amount is based on the profit for the period attributable to equity holders of the Company of HK$39,367,000 (2011: a loss of HK$21,087,000) and the weighted average of 418,748,000 (2011: 418,748,000) ordinary shares in issue during the period.

For the period ended 30 September 2012, as the exercise price of the Company's outstanding share options were higher than the average market price of the Company's ordinary shares, the outstanding share options had no dilutive effect on the earnings per share.

For the period ended 30 September 2011, no adjustment has been made to the basic loss per share amount presented as share options outstanding during the period had an anti-dilutive effect on the basic loss per share presented.

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 to two months, extending up to three months for certain well-established customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has imposed tightened control to minimise credit risk. Overdue balances are reviewed regularly by senior management. 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. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

8. ACCOUNTS RECEIVABLE *(continued)*

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

	Unaudited 30 September 2012 ***HK$'000***	Audited 31 March 2012 *HK$'000*
0 – 30 days	**128,912**	143,210
31 – 60 days	**66,486**	56,023
61 – 90 days	**15,374**	9,286
Over 90 days	**13,081**	9,490
	223,853	218,009
Less: Impairment allowance	**(850)**	(872)
	223,003	217,137

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 30 September 2012 ***HK$'000***	Audited 31 March 2012 *HK$'000*
Deposits for mining projects	**19,596**	19,596
Deposits for land lease payments	**18,123**	–
Prepayments	**92,557**	76,050
Other deposits	**1,277**	1,341
Other receivables	**51,372**	–
Prepaid land lease payments	**572**	586
	183,497	97,573
Less: Current portion	**(145,778)**	(77,977)
Non-current portion	**37,719**	19,596

10. ACCOUNTS AND BILLS PAYABLE, ACCRUED LIABILITIES AND OTHER PAYABLES

An aged analysis of the Group's accounts and bills payable as at the end of the reporting period, based on the invoice date, and the balance of accrued liabilities and other payables are as follows:

	Unaudited 30 September 2012 *HK$'000*	Audited 31 March 2012 *HK$'000*
0 – 30 days	**67,956**	94,125
31 – 60 days	**73,647**	59,718
61 – 90 days	**38,996**	18,511
Over 90 days	**10,575**	5,364
Accounts and bills payable	**191,174**	177,718
Accrued liabilities	**158,516**	133,518
Other payables	**24,041**	24,528
	373,731	335,764

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.

As at 30 September 2012, included in other payables, was an amount of RMB5,200,000 (31 March 2012: RMB5,200,000), approximately HK$6,265,000 (31 March 2012: HK$6,265,000), received since 2009 in respect of subsidies from the Department of Information Industry of Guangdong Province, the PRC, for the research and development costs incurred by the Group for its resources development project.

11. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate	**Maturity**	**Unaudited 30 September 2012** *HK$'000*	Audited 31 March 2012 *HK$'000*
Current				
Bank loans – unsecured	Hong Kong Interbank Offered Rate ("HIBOR") +1.88%	2013	**42,019**	38,271
Bank loans – unsecured	HIBOR+2%	2013	**–**	5,207
Bank loans – unsecured	HIBOR+1% to 2%	On demand	**110,541**	110,000
			152,560	153,478
Non-current				
Bank loans – unsecured	HIBOR+1.88%	2014 – 2016	**132,404**	154,038
			284,964	307,516

11. INTEREST-BEARING BANK BORROWINGS *(continued)*

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.

All bank borrowings are in Hong Kong dollars.

12. SHARE CAPITAL

	Unaudited 30 September 2012 ***HK$'000***	Audited 31 March 2012 *HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
418,748,000 (31 March 2012: 418,748,000) ordinary shares of HK$0.10 each	**41,875**	41,875

13. COMMITMENTS

(i) At the end of the reporting period, the Group had contracted for capital commitments in respect of subsidiaries in the PRC and the Lao People's Democratic Republic (the "Lao PDR") amounting to HK$66,253,000 (31 March 2012: HK$47,083,000).

(ii) At the end of the reporting period, the Group had contracted for capital commitments in respect of the acquisition of property, plant and equipment of approximately HK$39,105,000 (31 March 2012: HK$36,748,000).

(iii) At the end of the reporting period, the Group had contracted for capital commitments in respect of the investment in mining projects of approximately HK$26,187,000 (31 March 2012: HK$26,187,000).

The Company did not have any other significant commitments at the end of the reporting period (31 March 2012: Nil).

14. CONTINGENT LIABILITIES

At the end of the reporting period, the Company had provided guarantees of HK$263,000,000 (31 March 2012: HK$260,000,000) in respect of banking facilities granted to certain of its subsidiaries, of which HK$110,541,000 (31 March 2012: HK$110,000,000) had been utilised as at the end of the reporting period.

15. DISPOSAL OF SUBSIDIARIES

On 26 April 2012, Kin Yat (HK) Holdings Limited ("KYHK"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with an independent third party (the "Purchaser") in respect of the disposal of the entire equity interests by KYHK in its wholly-owned subsidiary, Newway Electrical Industries Limited (the "Disposal"), whose principal assets were the investment in a wholly-owned foreign enterprise incorporated in the PRC which in turn owns investment properties, to the Purchaser for a consideration of HK$55,000,000 in cash. As the transaction was entered subsequent to the financial year ended 31 March 2012, the investment properties mentioned above were classified as assets held for sale as at 31 March 2012.

Detail information of the Disposal were announced in the Company's announcement dated 7 May 2012.

	2012
	HK$'000
Net assets disposed of:	
Assets classified as held for sale	**50,482**
Deferred tax liabilities	**(5,631)**
	44,851
Release of exchange fluctuation reserve	**(10,611)**
	34,240
Gain on disposal of subsidiaries	**20,760**
	55,000
Satisfied by:	
Cash consideration	**55,000**

During the period under review, a sum of HK$10,000,000, being the partial payment of the consideration, was received by KYHK. Pursuant to the Agreement, the deferred payment of the balance of the consideration of HK$45,000,000 shall be made by the Purchaser on or before 31 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's operations are organised into four business segments: the three research-and-development-based manufacturing disciplines of electrical and electronic products, motors and other manufacturing activities, as well as the resources development operations. While the electrical and electronic products segment continued to account for the majority of the Group's revenue, the line-up of businesses serves as a multi-pillar platform to ensure forward momentum without compromising long-term sustainability.

We experienced a number of challenges in the previous financial year ended 31 March 2012, leading us to implement a series of measures to better equip ourselves for the possibly longstanding challenges ahead. These included temporarily setting aside new natural resources development projects and the disposal of non-core underutilised properties with a view to not only enhancing the Group's financial position but also building up "war chest" for strategic uses when the time is appropriate.

The Group reported a profit attributable to owners of the Company of HK$39,367,000 during the six months ended 30 September 2012 ("1H FY2013"), against an attributable loss of HK$21,087,000 for the six months ended 30 September 2011 ("1H FY2012"). The results of the Group during the period under review have included a before tax one-off gain on disposal of non-core underutilised properties of approximately HK$23,400,000 (1H FY2012: nil). The overall improvement in the Group's interim performance on a year-on-year basis was mainly attributable to, among other factors, an increase in the Group's turnover, and improvement in the performance of the electrical and electronic products business segment.

During 1H FY2013, the Group's turnover increased 16.0% year-on-year to HK$1,031,629,000 (1H FY2012: HK$888,977,000). The increase in sales was mainly generated by the core manufacturing activities, but it is notable that our natural resources development business has started to generate sales for the first time. In addition, we are glad that the application for the award of the exploitation licence for the designated Jinshi Exploitation Area (as defined below) with respect to our lead/zinc polymetallic mine in Xian City, Shaanxi Province, the PRC, has made some satisfactory progress and we endeavour to take this positive development to enhance the performance of the Group.

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

- HK$710,212,000 from the electrical and electronic products segment, contributing 68.8% of the Group's consolidated turnover for 1H FY2013 (1H FY2012: HK$534,025,000, 60.1%);

- HK$254,695,000 from the motors segment, accounting for 24.7% of the total (1H FY2012: HK$302,673,000, 34.0%);

- HK$43,242,000 from the other manufacturing activities, or 4.2% of the total (1H FY2012: HK$47,928,000, 5.4%); and

- HK$23,480,000 from the resources development segment, representing 2.3% of the total (1H FY2012: HK$4,351,000, 0.5%).

During 1H FY2013, the electrical and electronic products segment and other manufacturing activities reported segment profits of HK$102,267,000 (1H FY2012: HK$43,541,000) and HK$1,399,000 (1H FY2012: HK$510,000) respectively, while the motors and resources development segments incurred segment losses of HK$29,854,000 (1H FY2012: $26,467,000) and HK$33,810,000 (1H FY2012: HK$21,691,000) respectively.

Notwithstanding the year-on-year improvement of the Group's interim performance, the Board remains highly cautious as to whether this trend of improvement could be sustained throughout the financial year as a whole, given the current volatile business environment in general.

OPERATIONAL REVIEW

Electrical and Electronic Products Business Segment

The segment is engaged in the development, design and manufacture of (i) electronic and electrical toys; (ii) electrical appliances with a niche in artificial intelligence (AI) products; and (iii) small home electrical appliances.

We are pleased to report a 33.0% year-on-year increase in segment external turnover to HK$710,212,000 (1H FY2012: HK$534,025,000) despite weak market conditions, producing a segment profit of HK$102,267,000 (1H FY2012: HK$43,541,000). Sales increases were generated from both the toy and the robotic vacuum cleaner business lines, attributable to the continuous efforts of our marketing team.

The operating environment has become more accommodating during the period, as reflected in both stabilising material prices and the more stable Renminbi. We also continued to use efficiency gains to offset the continuing trend of wage increases and cost inflation in the PRC, leading to an improved margin for the segment.

We will remain cautious in controlling the cost parameters in the latter half of the financial year. After a levelling-off period, the Renminbi has strengthened against the US dollar once again since October, which may trigger a new round of cost inflation for PRC-based exporters. Also hitting the cost front would be raw materials prices, which have shown upward signs lately.

The second half of the financial year is a traditional low season for our manufacturing business. The cyclical trend will be particularly marked this year owing to negative market conditions in the United States and Europe, as well as the anticipated lack of compelling product launches.

However, we are maintaining our profile as a high value-adding manufacturer that helps us secure high-end orders. Business development efforts directed at a major toy customer are expected to bring returns to the Group during this fiscal year. For the line of robotic vacuum cleaners, we have also been in discussion with the customer to extend our production partnership to other AI products.

We will continue to optimise the utilisation of our existing facilities by diversifying our product categories. A new factory building is also under construction in our Shenzhen production base in order to cope with the expected increase in sales.

On the whole, we hold a conservatively optimistic view on the performance of this segment for the second half of the financial year while this segment will continue to be a key source of cash flow contribution to the Group.

Motors Business Segment

The motors segment is engaged in the development, design, manufacture and sale of a wide range of micro-electric motors and related products, ranging from direct-current, alternative-current and brushless motors to motor encoder systems.

During 1H FY2013, segment external turnover decreased 15.9% year-on-year to HK$254,695,000 (1H FY2012: HK$302,673,000) owing to intense market competition and a difficult operating environment in the PRC. Not much different from the position of most of other PRC-based micro-electric motor manufacturers, the segment was under immense pressure on its margin owing to rising operating costs and shrinking market demand. As a result, the segment recorded an interim loss of HK$29,854,000 (1H FY2012: HK$26,467,000).

Following the closure in March 2012 of a high-cost factory inherited from the acquisition of the production assets in Dongguan City, Guangdong Province, the PRC by the Group from a third party, all production lines have now been relocated to our Group's lower-cost facility bases in Shaoguan and Shixing, Guangdong Province, the PRC. The relocation and centralisation of the production lines have begun to result in the benefits of efficiency gains, to some extent, thereby saving costs. Nevertheless, since the consolidation of this segment's production facilities is still in process, the effect of the cost savings has yet been fully realised. For the period under review, these benefits of efficiency gain were offset by the adverse impact of less turnover and escalating operating costs on the cost of production as a result, this segment was still loss making.

Moving forward, in order to tackle the continuing trend of rising labour and other operating costs, the segment will consistently enhance the efficiency of its production lines, with special focus on furthering the automation process. On the top end, the segment will strive to achieve margin improvement through greater economies of scale. As such, the segment will continue to develop new products and to solicit new business.

Despite the management's dedicated efforts to improve the segment's ongoing performance, it will take time for the segment to consolidate all its business operations after the closure of factories before cost benefits can be materialised. Judging from the situation, the management is of the opinion that it would be tough challenge to achieve a turnaround in the short-run for this business.

Other Manufacturing Activities

This segment comprises the development, design, manufacture and sale of a broad range of feature plush, wooden and educational toys, on both original design manufacturing (ODM) and original equipment manufacturing (OEM) basis, as well as encoder film and media manufactured from a line of production facilities in Malaysia.

The segment's external turnover declined 9.8% year-on-year to HK$43,242,000 (1H FY2012: HK$47,928,000) with segment profit up by 174.3% to HK$1,399,000 (1H FY2012: HK$510,000). It is notable that the Malaysian plant recorded profits for the first time after we gained control on this plant in year 2010. The segment is encouraged to have achieved profitability for this factory after a two-year reengineering effort.

Looking to the order book for the second half, both the plush line and the wooden toy product categories are expected to record slower sales. However, we hold a brighter outlook for the next fiscal year as the segment has secured new toy customers for its wooden product facilities. Over the longer term, we expect to see further improvement in the performance of this segment.

Resources Development Business Segment

During the period under review, the segment was engaged in (i) materials development business – the development, manufacture and sale of Indium Tin Oxide ("ITO") Targets; and (ii) natural resources development and related processing business with respect to mainly copper, zinc, gold, silver, antimony and iron metals.

The Group has been allocating a reasonably moderate amount of funds annually to finance these resources development businesses and the projects involved were mainly start-up and brownfield projects with relatively long development time-spans. The key guidelines underlying this strategy are the moderate quantum of impact on the financial position of the Group during the investment stage of these businesses and yet more importantly the creation of added value for these projects through our dedicated technical and professional teams.

While maintaining the focus on the Group's core business of manufacturing, the management is making vigilant efforts to develop these resources development businesses, aiming at complementing the Group's proven manufacturing businesses in terms of revenue and profit in order to reduce exposure to general economic and market volatility. Notwithstanding the risky nature of these businesses, the management believes in the long-term strategic value of this segment and its potential for contributing to the Group's revenue and profitability through recurrent income business strategy and/or sale of projects.

The segment's external turnover in 1H FY2013 demonstrated a 439.6% year-on-year increase to HK$23,480,000 (1H FY2012: HK$4,351,000) and incurred a loss of HK$33,810,000 (1H FY2012: HK$21,691,000). The increase in turnover was mainly attributable to the processing/trading of antimony mineral products which was more than sufficient to offset the decline in turnover from our ITO business. The segment loss was mainly due to soft market prices of antimony which have been on a general decline trend since May 2012 and the incurrence of operating expenses in the natural resources development projects at their stage of investment.

Materials Development Business

With the new ITO Powder and Target production lines set up, we have realigned our sales strategy to focus primarily on providing direct sales and after-sales services to end customers instead of through sales agents, with an aim of better tapping into our competitive edge of being the research-and-development-based manufacturer that could interact and serve our customers in a timely manner with respect to their needs and concerns. Through this strategy, we strive to achieve the key objective of building up our brand name of "Sigma" in the ITO Target for thin film industry, while direct interaction with end customers is an effective means to obtain feedback for perfecting the ever-improving quality and standard of our products.

During the period under review, management efforts were focused on marketing and promoting our major product, ITO Targets, to some selected major end customers in the light-emitting diode (LED) illumination and touch panel industries, in both the PRC and overseas markets, to achieve product recognition. In particular, we saw product validation orders for our high density sputtering large-size ITO Target with stringent technical requirements (99.99% purity). So far, trial orders for advanced-stage product validation from various major customers have been received and we have been working closely with these customers to fine-tune our products to meet their exact requirements, expecting to receive commercial orders in the ensuing future.

The competitive landscape of the ITO Target industry is characterised by the dominance of a few mega-size overseas suppliers who are also the price leaders. The product pricing for ITO Targets is currently competitive. With the ability to master the nanotechnology, we are strategising various avenues to enhance the profitability of this business going forward, including but not limited to horizontal and vertical integrations with minimal marginal additional investments. We are looking forward to the long-term future of this business.

Natural Resources Development Business

During the period under review, the business was engaged mainly in:

(i) Exploration and exploitation activities:

- the lead/zinc polymetallic tenement area of approximately 24 square kilometres (the "Jinshi Exploration Area") with an exploration licence located in Jiangjuncha, Lantian County, Xian City, Shaanxi Province, the PRC (the "Xian Polymetallic Mine"), where the Group has a 70% interest;

- the lead/zinc/iron polymetallic tenement area of approximately 18 square kilometres (the "Wengyuan Exploration Area") with an exploration licence located in Xin Jiang Town, Wengyuan County, Shaoguan City, Guangdong Province, the PRC (the "Wengyuan Polymetallic Mine"), where the Group has a 100% interest;

- the copper/iron tenement area of 324 square kilometres with relevant licences and government approvals (the "Saiyabouly Tenement Area") located in Saiyabouly Province, the Lao PDR, where the Group has a 70% interest;

- an area of 2.2 square kilometres (the "designated Jinshi Exploitation Area") (exclusive of the Jinshi Exploration Area) in relation to the Xian Polymetallic Mine; and

- an area of 5 square kilometres (the "designated Wengyuan Exploitation Area") (within the Wengyuan Exploration Area) in relation to the Wengyuan Exploration Area.

(ii) Ore processing and refining activities:

- the ore processing facilities with a daily capacity of 500 tonnes, mainly for magnetic iron, located near the Wengyuan Exploration Area, where the Group has a 100% interest;

- the ore processing plant with a daily capacity of 300 tonnes, mainly for antimony ore processing, located in Dushan County, Guizhou Province, the PRC, where the Group will have a 60% interest; and

- the smelting plant with an annual capacity of 2,000 to 3,000 tonnes of antimony ingots in Dushan County, Guizhou Province, the PRC, where the Group will have a 60% interest.

Exploration

(i) The Jinshi Exploration Area

The relevant exploration licence was renewed for two more years, expiring in April 2014.

With the positive development in the obtaining of the relevant exploitation licence for the designated Jinshi Exploitation Area (exclusive of the Jinshi Exploration Area), we have assigned the Jinshi Exploration Area the highest priority for geological exploration work within our portfolio of exploration projects focusing on the geological exploration work in the three locations previously identified, with an aim of ascertaining higher amount of reserves of the Xian Polymetallic Mine as a whole.

(ii) The Wengyuan Exploration Area

The relevant exploration licence was renewed for two more years, expiring in June 2014.

During the period under review, management efforts were mainly focused on the obtaining of the relevant exploitation licence for the designated Wengyuan Exploitation Area (within the Wengyuan Exploration Area). Investments in geological exploration work, infrastructure and auxiliary construction for this project have been kept at a contained level pending the progress of the application for the relevant exploitation licence.

In accordance with the current plan of geological work, we expect to be able to obtain more geological information on certain mineral occurrences in the tenement area around the beginning of 2013, and will update shareholders of the Company as appropriate.

(iii) The Saiyabouly Exploration Area

Following the completion of the initial geochemical prospecting and geophysical prospecting fieldwork within an area of 194 square kilometres in the project in late May 2012, we have completed the preliminary analysis of the results and concluded that there are multiple points of high interest with gold as one of the dominant minerals. From the results of chemical analysis of the ore samples collected so far, gold content ranges from 1.06 to 45.2 grams per tonne. Results of these works will serve as one of the bases to submit the prospecting report to the government of the Lao PDR for further investigation of the area identified and advancing into the next stage of development of the project.

The initial geochemical prospecting and geophysical prospecting fieldwork for the remaining 130 square kilometres in the tenement area for iron started in November 2012 and we remain optimistic as to the progress of completing the necessary fieldwork for the prospecting stage of development of the project before the rainy season of 2013.

Exploitation

(i) The designated Jinshi Exploitation Area

We are glad that the application for the award of the exploitation licence for the designated Jinshi Exploitation Area has made some satisfactory progress and we shall update the shareholders of the Company when and where necessary. It is expected to have an exploitation licence awarded conferring exploitation rights to us for extracting lead, zinc and other minerals, with a planned production capacity of 60,000 tonnes of ore per annum and an expected service term of approximately six years, with total resources/reserves of 363,000 tonnes of ores. From the results of chemical analysis of the ores reported for the application of the exploitation licence, 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 to 1.65 grams/tonne for gold and 36.41 to 54.62 grams/tonne for silver.

In preparation for production when the relevant exploitation licence is granted, we have started to process through out-sourcing the by-product ores derived from exploration work on a trial basis so as to obtain information including, inter alia, the recovery ratios of different types of metal concentrates yielded.

(ii) The designated Wengyuan Exploitation Area

The obtaining of the exploitation licence has been progressing at a moderate pace so far. The management efforts are focused on the fulfilment of all necessary requirements for the application of the exploitation licence by obtaining the required information in around December 2012 from various government bodies and others. While we are determined to make every effort to obtain the exploitation licence, the management cannot form a view with certainty as to the timing for the Company to achieve so.

Ore Processing

During the period under review, the independent antimony ore processing plant with a daily capacity of 300 metric tonnes located in Dushan County, Guizhou Province, the PRC, commenced small-scale production. Sources for sizeable amount of appropriate quality antimony was secured for larger-scale production in November 2012 and the operations for processing around 100 tonnes per day have started.

Refining

The conditional sale and purchase agreement pursuant to which the Company may acquire the entire interest in the smelting plant in Dushan County, Guizhou Province, the PRC, has not yet been completed for the reason that the seller has not been able to fulfil the required conditions precedent. According to the information provided by the seller, certain government approvals are being obtained from the relevant government regulatory bodies and all conditions precedent are expected to be fulfilled during the first half of 2013. We will update the shareholders of the Company as appropriate.

As a whole, this segment is not expected to contribute to the Group's turnover significantly within this fiscal year, however, the results of the exploration and exploitation activities could potentially have impact on the valuation of the Company.

OUTLOOK

As the ongoing macro-economic environment continues to be uncertain, the world will likely see reduced trade flows, volatile commodity prices and more inflation in the emerging manufacturing hubs. Over the past decades, we have weathered many economic cycles with the help of a disciplined management team which focuses on achieving long-term objectives. Despite the external and our own operational challenges, we have always stayed firm on our strategic priorities – furtherance of core expertise, new business development and continuous strengthening of our management capabilities – on top of the cultivation of new investment projects. This long-term effort, supported by our sound financial position, has resulted in a portfolio of solid businesses well placed for the medium to long term.

Our manufacturing segments will remain a core part of the Group. This business line may come under pressure due to market circumstances, but as one of the leading industry players, we will continue to leverage our core competencies, including economies of scale, a diverse production platform, and our quality and technical lead, to overcome these short-term adversities. We believe the current market downturn will stimulate industry consolidation, which will provide the Group with an important business-building advantage.

For the second half and the following year, our prime focus for the manufacturing business will remain on growing revenues and improving gross margin. While the inflationary trend on costs will likely continue, we will strive to offset its impact on margins by increasing productivity, controlling costs and improving our supply chain processes. Through increased automation and economies of scale, we will adapt our cost structure to the market changes.

The management understands that the long development cycle of the resources development businesses, which may or may not result in successful outcomes in the short-run, may present a financial burden to the Group, especially amidst the recent global economic concerns. In addition to suspending the addition of new projects to this segment, the Group has also contained and prioritised the level of investment in the existing projects in order to further preserve the financial security of the Group, and would not rule out the possibility of exiting certain projects.

We look forward to updating you further on the progress and performance of our various business activities, particularly concerning our lead/zinc polymetallic mine in Xian City, Shaanxi Province, the PRC, as the year continues. While the plans for 2013 have been formulated on a conservative basis, we will move ahead with determination and confidence in our long-term prospects.

We would like to close by expressing our gratitude to our shareholders, our dedicated management and staff team, our valued clients and all our business partners. With your support and our persevering spirit, we will work together with our team members to confront the challenges ahead.

LIQUIDITY AND FINANCIAL POSITION

The Group adopts a prudent and conservative policy in its financial management. During the first half of 2012, the Group consistently employed its internally generated cash flow and banking facilities to finance its operations and business development. At the end of the reporting period, the Group's aggregated time deposits and cash and bank balances amounted to HK$273,400,000 (31 March 2012: HK$239,364,000). Currently, the Group maintains aggregate composite banking facilities of approximately HK$405,380,000 (31 March 2012: HK$426,560,000) with various banks, of which HK$284,964,000 (31 March 2012: HK$307,516,000) has been utilised.

As at 30 September 2012, current ratio of the Group (current assets divided by current liabilities) was maintained at a healthy position of 1.6 times (31 March 2012: 1.8 times), with gearing ratio (interest bearing bank borrowings divided by total shareholders' equity) at 28.1% (31 March 2012: 30.7%). Based on the above, the Group continued to enjoy a healthy financial position with sufficient financial resources to support its future development.

MATERIAL DISPOSAL OF SUBSIDIARIES

On 26 April 2012, Kin Yat (HK) Holdings Limited ("KYHK"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with an independent third party (the "Purchaser") in respect of the disposal of the entire equity interests by KYHK in its wholly-owned subsidiary, Newway Electrical Industries Limited (the "Disposal"), to the Purchaser for a consideration of HK$55,000,000 in cash (the "Consideration"). During the period under review, a sum of HK$10,000,000, being the partial payment of the Consideration, was received by KYHK. Pursuant to the Agreement, the deferred payment of the balance of the Consideration of HK$45,000,000 shall be made by the Purchaser on or before 31 December 2012.

Detail information of the Disposal were announced in the Company's announcement dated 7 May 2012.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2012, the Group employed over 11,000 full-time employees, of which less than 110 of them were stationed in Hong Kong headquarters with the remaining working in PRC and Malaysia.

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 PRC and Malaysia, the Group provides its employee's 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 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.

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

As at 30 September 2012, the interests of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures 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 (the "Model Code"), were as follows:

(A) Shares

Name of director	Long position/ short position	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued shares
Mr. Cheng Chor Kit	Long position	Founder of a trust	274,712,000 *(Note)*	65.60
		Beneficial owner	3,300,000	0.79
		Interests held by spouse	1,200,000	0.29
Mr. Fung Wah Cheong, Vincent	Long position	Beneficial owner	6,900,000	1.65

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

(B) Underlying Shares

Name of director	Long position/ short position	Capacity	Number 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 HK$
Mr. Fung Wah Cheong, Vincent	Long position	Beneficial owner	500,000 (0.12%)	23/7/2009	1/8/2010-22/7/2019	1.426
Mr. Liu Tat Luen	Long position	Beneficial owner	2,000,000 (0.48%)	4/1/2010	4/1/2013-3/1/2020	2.102
Mr. Chui Pak Shing	Long position	Beneficial owner	1,000,000 (0.24%)	29/3/2011	29/3/2014-28/3/2021	2.792
Prof. Chung Chi Ping, Roy *BBS JP*	Long position	Beneficial owner	650,000 (0.16%)	29/3/2011	29/3/2011-28/3/2021	2.792
Mr. Wong Chi Wai	Long position	Beneficial owner	300,000 (0.07%)	29/3/2011	29/3/2011-28/3/2021	2.792
Ms. Sun Kwai Yu	Long position	Beneficial owner	300,000 (0.07%)	29/3/2011	29/3/2011-28/3/2021	2.792

Save as disclosed above, as at 30 September 2012, none of the Directors and Chief Executive of the Company had registered an interest or short position in the shares, underlying shares and 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.

SHARE OPTION SCHEME

The Company operates 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 non-controlling interests in the Company's subsidiaries.

The Scheme adopted on 20 August 2002 (the "2002 Scheme") was terminated on 19 August 2012, the Company adopted a new Scheme (the "2012 Scheme") at the Company's Annual General Meeting held on 20 August 2012. Unless otherwise cancelled or amended, the 2012 Scheme will remain in force for 10 years from that date. As at the date of this report, no share option has been granted under the 2012 Scheme since it is adopted.

Subsequent to the termination of the 2002 Scheme, no further option can be granted thereunder but in all other respects, the provisions of the 2002 Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

The following share options were outstanding under the 2002 Scheme during the period:

		Number of share options							
	Date of share options granted	At 1 April 2012	Granted during the period	Exercised during the period	Cancelled during the period	At 30 September 2012	Exercise period	Exercise price per share *HK$*	Price of Company's shares at grant date of options* *HK$*
Directors									
Mr. Fung Wah Cheong, Vincent	23/7/2009	500,000	–	–	–	500,000	1/8/2010-22/7/2019	1.426	1.40
Mr. Liu Tat Luen	4/1/2010	2,000,000	–	–	–	2,000,000	4/1/2013-3/1/2020	2.102	2.06
Mr. Chui Pak Shing	29/3/2011	1,000,000	–	–	–	1,000,000	29/3/2014-28/3/2021	2.792	2.77
Prof. Chung Chi Ping, Roy *BBS JP*	29/3/2011	650,000	–	–	–	650,000	29/3/2011-28/3/2021	2.792	2.77
Mr. Wong Chi Wai	29/3/2011	300,000	–	–	–	300,000	29/3/2011-28/3/2021	2.792	2.77
Ms. Sun Kwai Yu	29/3/2011	300,000	–	–	–	300,000	29/3/2011-28/3/2021	2.792	2.77
Other employees									
In aggregate	14/11/2003	382,000	–	–	–	382,000	14/11/2006-13/11/2013	1.592	1.60
	4/10/2006	220,000	–	–	–	220,000	4/10/2009-3/10/2016	1.030	1.03
	14/3/2008	500,000	–	–	–	500,000	14/3/2009-13/3/2018	1.990	1.99
	19/10/2009	500,000	–	–	–	500,000	19/10/2012-18/10/2019	1.550	1.55
	29/3/2011	650,000	–	–	–	650,000	29/3/2011-28/3/2021	2.792	2.77
		7,002,000	–	–	–	7,002,000			

* *The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price 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, underlying shares and debentures" and "Share option scheme" above, at no time during the six months ended 30 September 2012 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, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2012, 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 shares	Number of share options held
Mr. Cheng Chor Kit	Through a controlled corporation, beneficial owner and interests held by spouse	279,212,000 *(Notes 1, 2 and 4)*	66.68	–
Hallgain Management Limited ("Hallgain")	Through its controlled corporations	29,384,000 *(Note 3)*	7.02	–

Note 1: Among these share, 274,712,000 shares were held through Resplendent and 1,200,000 shares were held by the spouse of Mr. Cheng Chor Kit.

Note 2: The spouse of Mr. Cheng Chor Kit is deemed to be interested in these ordinary shares in which Mr. Cheng Chor Kit is deemed or taken to be interested for the purpose of the SFO.

Note 3: Kingboard Investments Limited ("KIL") and Kingboard Chemical Holdings Limited ("KCHL") is beneficially interested in 25,128,000 shares and 4,256,000 shares in the Company respectively. Jamplan (BVI) Limited ("Jamplan") is the beneficial owner of all the issued share capital of KIL while Jamplan is wholly-owned by KCHL, which is owned as to approximately 36.23% of the entire issued share capital of KCHL by Hallgain.

Note 4: This refers to the same block of shareholding of Mr. Cheng Chor Kit mentioned in the section headed "Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures" above.

Saved as disclosed above, as at 30 September 2012, no person, other than Mr. Cheng Chor Kit, whose interests are set out in the section headed "Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures" 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.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2012 (30 September 2011: Nil).

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

During 2011, the Company, as a borrower, has entered into two different term loan facility agreements of HK$100 million each with 2 different banks for a term of 60 months and a term of 42 months respectively.

Each of the term loan facility agreement imposes, inter alia, a condition that Mr. Cheng Chor Kit, the director and the controlling shareholder 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. A breach of the above mentioned condition will constitute an event of default under the relevant facility letter. Upon the occurrence of such event, each of loan shall become immediately due and repayable on demand.

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

The Company is committed to adopt a high standard of corporate governance which is crucial to the long-term development of the Group and safeguard the interests of the Company's shareholders. In the opinion of the Board, the Company has complied with the code provisions set out in the Code on Corporate Governance (the "Code of CG") as well as complying the new Corporate Governance Code (the "CG Code") (effective from 1 April 2012) as stated in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the period, except the following deviation.

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, 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 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.

INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATION

The Company acknowledges that "transparency" is one of the building blocks that underpin a sound system of corporate governance. During the period under review, the Company has proactively enhanced its corporate transparency with its shareholders and the market, either through its financial reports, or circulars and announcements, to ensure that the shareholders and the market have all available information reasonably required to make informed assessment of the Company's strategy, operations and financial performance.

The Company also believes that a clear communication and easy access to information are important objectives of the Company's communication strategy. The annual general meeting (the "AGM") is an opportunity of communication with shareholders. Shareholders are encouraged to attend the AGM, which provides an opportunity for shareholders to obtain better understanding of the operating performance of the Company by hearing from and putting questions to the Board, management and auditors of the Company.

In order to strengthen the bi-directional communications between the Company, shareholders and investors, an email contact (webmaster@kinyat.com.hk) responded by senior management of the Company are available to shareholders and investors.

DIRECTORS' 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 securities transactions by the Directors. 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 throughout the six months ended 30 September 2012. The relevant employees who, because of their office in the Group, are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code.

AUDIT COMMITTEE

The main roles and responsibilities of the audit committee of the Board (the "Audit Committee") are set out by the Board with clearly defined written terms of reference. The Audit Committee currently comprises three independent non-executive directors, namely Ms. Sun Kwai Yu (the Chairperson of the Audit Committee), Prof. Chung Chi Ping, Roy *BBS JP* and Mr. Wong Chi Wai and at least one of them possess the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Audit Committee's principal responsibilities are reviewing and monitoring the integrity of financial reports; the effectiveness of the Group's internal control and risk management systems; overseeing the financial reporting and audit processes and the independence of the external auditors. To ensure such duties carried out effectively, the Audit Committee requires the cooperation and support of the executive management in providing information and resources.

The Audit Committee has 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 unaudited condensed consolidated financial statements for the six months ended 30 September 2012.

DISCLOSURE OF INFORMATION OF DIRECTORS UNDER RULES 13.51(B)(1) OF THE LISTING RULES

Pursuant to Rule 13.51(B) of the Listing Rules. The changes in information of directors and supervisor of the Company subsequent to the date of the 2012 Annual Report of the Company are set out below:

On 22 September 2012, Prof. Chung Chi Ping, Roy *BBS JP* was appointed as an independent non-executive director of KMF Kingdom Holdings Limited (Stock Code: 3816), whose shares are listing on the Main Board of the Stock Exchange on 15 October 2012.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

BOARD OF DIRECTORS

As at the date of this report, the Board consists of four executive directors, namely Mr. Cheng Chor Kit, Mr. Fung Wah Cheong, Vincent, Mr. Liu Tat Luen and Mr. Chui Pak Shing, and three independent non-executive directors, namely Prof. Chung Chi Ping, Roy *BBS JP*, Mr. Wong Chi Wai and Ms. Sun Kwai Yu.

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

Hong Kong, 29 November 2012