



CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

Company registration number: 200712727W

Unaudited Financial Statements for the Financial Period ended 30 September 2016

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.

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PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

<u>Consolidated Income Statement</u>	Note	Group (HK\$'000) 3 months ended			Change %	Group (HK\$'000) 6 months ended			Change %
		30-Sep-16 ("2Q2017")	30-Sep-15 ("2Q2016")	30-Sep-16 ("1H2017")		30-Sep-15 ("1H2016")			
Revenue		46,000	44,949	2.3	101,861	91,466	11.4		
Cost of sales		(36,033)	(37,041)	(2.7)	(81,868)	(75,596)	8.3		
Gross profit		9,967	7,908	26.0	19,993	15,870	26.0		
Other items of income									
Interest income	1	108	40	170.0	166	59	181.4		
Other income	2	558	3,377	(83.5)	1,795	3,688	(51.3)		
Other items of expense									
Selling and distribution expenses		(2,210)	(2,189)	1.0	(4,864)	(4,939)	(1.5)		
General and administrative expenses		(7,126)	(5,366)	32.8	(12,710)	(9,388)	35.4		
Other credit/(expense)	3	107	(5)	n.m.	111	(14)	n.m.		
Profit before taxation	4	1,404	3,765	(62.7)	4,491	5,276	(14.9)		
Income tax credit/(expense)	5	33	253	(87.0)	82	(46)	n.m.		
Profit for the period		1,437	4,018	(64.2)	4,573	5,230	(12.6)		
Attributable to:									
Owners of the Company		607	3,895	(84.4)	2,860	4,766	(40.0)		
Non-controlling interests		830	123	574.8	1,713	464	269.2		
		1,437	4,018	(64.2)	4,573	5,230	(12.6)		

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			Group		
	2Q2017 HK\$'000	2Q2016 HK\$'000	Change %	1H2017 HK\$'000	1H2016 HK\$'000	Change %
Profit for the period	1,437	4,018	(64.2)	4,573	5,230	(12.6)
Other comprehensive income:						
Items that may be subsequently reclassified to profit & loss:						
Foreign currency translation	(359)	(2,510)	(85.7)	(3,363)	(2,553)	31.7
Other comprehensive income for the period, net of tax	(359)	(2,510)	(85.7)	(3,363)	(2,553)	31.7
Total comprehensive income for the period	1,078	1,508	(28.5)	1,210	2,677	(54.8)
Attributable to:						
Owners of the Company	346	2,021	(82.9)	385	2,861	(86.5)
Non-controlling interests	732	(513)	n.m.	825	(184)	n.m.
Total comprehensive income for the period	1,078	1,508	(28.5)	1,210	2,677	(54.8)
Note 1 – Interest income						
Interest income from bank and other receivables	108	40	170.0	166	59	181.4
Note 2 – Other income						
Sale of raw materials/ scrap materials	3	14	(78.6)	67	149	(55.0)
Gain on disposal of property, plant and equipment	20	-	n.m.	28	-	n.m.
Government grants related to income	-	2,479	n.m.	25	2,479	(99.0)
Net foreign exchange gain	87	626	(86.1)	876	577	51.8
Rental income	448	-	n.m.	799	-	n.m.
Compensation income	-	258	n.m.	-	483	n.m.
	558	3,377	(83.5)	1,795	3,688	(51.3)
Note 3 – Other (credit)/ expense						
(Reversal of)/ Impairment loss on inventories	(107)	5	n.m.	(111)	14	n.m.
Note 4 – Profit before taxation						
This is determined after charging the following:						
Depreciation of property, plant and equipment	606	539	12.4	1,262	1,065	18.5
Research and product testing expenses	928	669	38.7	1,272	823	54.6
Note 5 – Income tax (credit)/expense						
Current income taxation	190	324	(41.4)	441	324	36.1
Overprovision in respect of prior years	(223)	(577)	(61.4)	(523)	(278)	88.1
Income tax (credit)/expense	(33)	(253)	(87.0)	(82)	46	n.m.

n.m. - not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Note	Group As at 30-Sep-16 HK\$'000	Group As at 31-Mar-16 HK\$'000	Company As at 30-Sep-16 HK\$'000	Company As at 31-Mar-16 HK\$'000
<u>Non-current assets</u>					
Investment in subsidiaries		-	-	45,430	46,977
Property, plant and equipment		12,984	14,316	-	-
Prepayments		953	150	-	-
Total non-current assets		13,937	14,466	45,430	46,977
<u>Current assets</u>					
Inventories	1	24,316	26,749	-	-
Trade and other receivables	2	46,649	47,557	-	-
Prepayments		5,620	14,550	138	108
Amount due from related parties		-	-	27,644	32,117
Cash and bank balances		49,844	34,613	834	214
Total current assets		126,429	123,469	28,616	32,439
Total Assets		140,366	137,935	74,046	79,416
<u>Current liabilities</u>					
Trade and other payables		51,228	49,159	-	-
Other liabilities		10,881	11,051	875	1,865
Amount due to related parties		357	444	-	-
Deferred government grants		186	192	-	-
Provision for taxation		287	872	-	-
Total current liabilities		62,939	61,718	875	1,865
Net current assets		63,490	61,751	27,741	30,574
Total liabilities		62,939	61,718	875	1,865
Net assets		77,427	76,217	73,171	77,551
<u>Equity attributable to owners of the Company</u>					
Share capital		148,309	148,309	148,309	148,309
Accumulated losses		(39,209)	(41,842)	(86,313)	(84,466)
Restructuring reserve		(74,397)	(74,397)	-	-
Statutory reserve		272	45	-	-
Foreign currency translation reserve		17,322	19,797	11,175	13,708
		52,297	51,912	73,171	77,551
Non-controlling interests		25,130	24,305	-	-
Total equity		77,427	76,217	73,171	77,551
Total equity and liabilities		140,366	137,935	74,046	79,416

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group As at 30-Sep-16 HK\$'000	Group As at 31-Mar-16 HK\$'000
Note 1 – Inventories		
Raw materials	3,946	3,075
Work in progress	1,807	1,119
Finished goods	18,563	22,555
	<u>24,316</u>	<u>26,749</u>

Note 2 – Trade and other receivables

Trade receivables	40,318	40,935
Bill receivables	3,250	2,815
Other receivables	3,081	3,807
	<u>46,649</u>	<u>47,557</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

(In HK\$'000)

As at 30 September 2016		As at 31 March 2016	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

(In HK\$'000)

As at 30 September 2016		As at 31 March 2016	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The Group does not have any bank borrowings or debt securities as at 30 September 2016 and 31 March 2016.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group (HK\$'000)		Group (HK\$'000)	
	2Q2017	2Q2016	1H2017	1H2016
Operating activities				
Profit before tax, total	1,404	3,765	4,491	5,276
Adjustments for:				
Depreciation of property, plant and equipment	606	539	1,262	1,065
(Reversal of)/Impairment loss on inventories	(107)	5	(111)	14
Gain on disposal of property, plant and equipment	(20)	-	(28)	-
Amortisation of government grants related to income	-	(2,479)	-	(2,479)
Interest income	(108)	(40)	(166)	(59)
Translation differences	(261)	(1,616)	(1,587)	(1,640)
Operating cash flows before working capital changes	1,514	174	3,861	2,177
(Increase)/decrease in:				
Trade and other receivables	4,560	297	908	(10,255)
Inventories	562	3,225	2,544	6,112
Prepayments	(456)	7,202	8,930	10,855
Amount due from related parties, net	(341)	66	(87)	256
Increase/(decrease) in:				
Trade and other payables	(2,631)	(6,054)	2,270	(7,613)
Other liabilities	(309)	(1,521)	(170)	(2,083)
Cash flows from/(used in) operations	2,899	3,389	18,256	(551)
Interest received	108	40	166	59
Income tax (paid)/refunded	(36)	400	(485)	101
Net cash flows generated from/(used in) operating activities	2,971	3,829	17,937	(391)
Investing activities				
Purchase of property, plant and equipment	(545)	(107)	(1,397)	(699)
Proceeds from disposal of property, plant and equipment	20	-	28	-
Government grants received	-	(7)	-	818
Net cash flows (used in)/generated from investing activities	(525)	(114)	(1,369)	119
Financing activities				
Proceeds from issuance of new ordinary shares	-	-	-	3,555
Share issue expenses	-	-	-	(303)
Net cash flows generated from financing activities	-	-	-	3,252
Net increase in cash and cash equivalents	2,446	3,715	16,568	2,980
Effect of exchange rate changes on cash and cash equivalents	(51)	(759)	(1,337)	(772)
Cash and cash equivalents at beginning of financial period	47,449	26,746	34,613	27,494
Cash and cash equivalents at end of financial period	49,844	29,702	49,844	29,702

- 1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group (HK\$'000)		Group (HK\$'000)	
2Q2017	2Q2016	1H2017	1H2016

Note A:

Cash outflow on purchase of property, plant and equipment:

Aggregate cost of property, plant and equipment acquired	380	189	393	328
Add: Payment for prior years acquisitions	-	-	213	374
Add/(Less): Outstanding payments	167	(78)	(12)	(157)
(Less)/Add: Movement of prepayments made	(2)	(4)	803	154
Cash payments made to acquire property, plant and equipment	<u>545</u>	<u>107</u>	<u>1,397</u>	<u>699</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

		Attributable to owners of the Company						Non-controlling interests
		Equity attributable to owners of the Company, total	Share capital	Accumulated losses	Restructuring reserve	Statutory reserve	Foreign currency	
							translation reserve	
	Equity, total HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group								
2Q2017								
Opening balance at 1 July 2016	76,349	51,951	148,309	(39,706)	(74,397)	162	17,583	24,398
Profit for the period	1,437	607	-	607	-	-	-	830
Other comprehensive income for the period, net of tax	(359)	(261)	-	-	-	-	(261)	(98)
Total comprehensive income for the period	1,078	346	-	607	-	-	(261)	732
<u>Others</u>								
Appropriation to reserve	-	-	-	(110)	-	110	-	-
Total others	-	-	-	(110)	-	110	-	-
Closing balance at 30 September 2016	77,427	52,297	148,309	(39,209)	(74,397)	272	17,322	25,130

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

		Attributable to owners of the Company					
		Equity attributable to owners of the Company, total	Share capital	Accumulated losses	Restructuring reserve	Foreign currency translation reserve	Non- controlling interests
	Equity, total HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group							
2Q2016							
Opening balance at 1 July 2015	74,461	48,853	148,309	(47,688)	(74,397)	22,629	25,608
Profit for the period	4,018	3,895	-	3,895	-	-	123
Other comprehensive income for the period, net of tax	(2,510)	(1,874)	-	-	-	(1,874)	(636)
Total comprehensive income for the period	1,508	2,021	-	3,895	-	(1,874)	(513)
Closing balance at 30 September 2015	75,969	50,874	148,309	(43,793)	(74,397)	20,755	25,095

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to owners of the Company			
	Equity, total HK\$'000	Share capital HK\$'000	Accumulated losses HK\$'000	Foreign currency translation reserve HK\$'000
Company				
2Q2017				
Opening balance at 1 July 2016	74,403	148,309	(85,353)	11,447
Loss for the period	(960)	-	(960)	-
Other comprehensive income for the period, net of tax	(272)	-	-	(272)
Total comprehensive income for the period	(1,232)	-	(960)	(272)
Closing balance at 30 September 2016	73,171	148,309	(86,313)	11,175
Company				
2Q2016				
Opening balance at 1 July 2015	84,087	148,309	(81,117)	16,895
Loss net of tax	(549)	-	(549)	-
Other comprehensive income for the period	(2,325)	-	-	(2,325)
Total comprehensive income for the period	(2,874)	-	(549)	(2,325)
Closing balance at 30 September 2015	81,213	148,309	(81,666)	14,570

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

	Number of shares	Resultant issued and Paid-up share capital (HK\$,000)
Share capital as at 30 September 2016 and 30 June 2016	409,800,000	148,309

The Company had no outstanding convertibles or treasury shares as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial period.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	As at 30 September 2016	As at 31 March 2016
Total number of issued shares excluding treasury shares	409,800,000	409,800,000

The Company did not have any treasury shares as at 30 September 2016 and 31 March 2016.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable, as the Company did not have any treasury shares as at the end of the current financial period reported on.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group had consistently applied the same accounting policies and methods of computation in the Group's financial statements for the current financial period as compared with the most recently audited annual financial statements for the financial year ended 31 March 2016, except for the adoption of certain new or revised financial reporting standards ("FRS") and Interpretations to FRS ("INT FRS") which became mandatory from 1 April 2016. The adoption of these FRS and INT FRS has no significant impact to the financial position or performance of the Group and the Company.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Please see explanation in note 4 above.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

		Group			
		2Q2017	2Q2016	1H2017	1H2016
Profit for the period attributable to owners of the Group, after deducting non-controlling interests	HK\$'000	607	3,895	2,860	4,766
Earnings per share Basic	HK cents	0.15	0.98	0.70	1.20

Basic earnings per share for the 2Q2017 and 1H2017 are calculated based on weighted average number of shares issued of 409,800,000 (2Q2016 and 1H2016: 397,166,000) ordinary shares.

Diluted earnings per share are not presented as there were no potential dilutive securities in existence as at 30 September 2016 and 30 September 2015.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30 Sept 2016	31 Mar 2016	30 Sept 2016	31 Mar 2016
Net assets per ordinary share after deducting non-controlling interests, based on 409.8 million shares as at 30 September 2016 (31 March 2016: 409.8 million shares)	HK cents 12.76	HK cents 12.67	HK cents 17.86	HK cents 18.92

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Overall profit and loss

In 2Q2017 and 1H2017, Group revenue increased by 2.3% and 11.4% respectively as compared to the past comparative periods. The increase in 2Q2017 revenue was mainly attributed to the increase in sales from our In Mould Decoration and the Plastic Injection Parts ("IMD and Plastic Injection Parts") segments, while the increase in 1H2017 revenue was due to the increase in sales from our both IMD and Plastic Injection Parts segment and Automobile Component Parts segment. Following the increase in revenue and higher production efficiency achieved, overall gross profit in 2Q2017 and 1H2017 increased by 26.0% .

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
- any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

As compared to the past comparative periods, other items of income in 2Q2017 and 1H2017 decreased by 80.5% and 47.7% respectively. The decline in other income is mainly due to the absence of government grants related to income of HK\$2.5 million recorded in 2Q2016 and 1H2016, offset by the increase in rental income which was absent in 2Q2016 and 1H2016. Other items of expense in 2Q2017 and 1H2017 increased by 22.1% and 21.8% respectively and this was mainly due to increase in employee benefit expenses in 2Q2017 and 1H2017.

In 2Q2017 and 1H2017, the Group recorded an income tax credit of HK\$33,000 and HK\$82,000 respectively mainly due to the over-provision of income tax in the prior reporting periods following the finalisation with the local tax authorities.

Arising from the above, the Group recorded a net profit of HK\$1.4 million and HK\$4.6 million in 2Q2017 and 1H2017 respectively as compared to HK\$4.0 million in 2Q2016 and HK\$5.2 million in 1H2016.

<u>Revenue and Gross Profit</u>	IMD and Plastic Injection Parts (HK\$'000)	Automobile Component Parts (HK\$'000)	Total (HK\$'000)
<u>Second quarter of the financial year</u>			
2Q2017 Revenue	11,075	34,925	46,000
2Q2016 Revenue	9,430	35,519	44,949
% change	17.4	(1.7)	2.3
2Q2017 Sales mix	24.1	75.9	100.0
2Q2016 Sales mix	21.0	79.0	100.0
2Q2017 Gross profit	2,512	7,455	9,967
2Q2016 Gross profit	2,258	5,650	7,908
% change	11.2	31.9	26.0
2Q2017 Gross profit margin	22.7%	21.3%	21.7%
2Q2016 Gross profit margin	23.9%	15.9%	17.6%
Percentage point difference	(1.2)	5.4	4.1

<u>Revenue and Gross Profit</u>	IMD and Plastic Injection Parts (HK\$'000)	Automobile Component Parts (HK\$'000)	Total (HK\$'000)
<u>First half of the financial year</u>			
1H2017 Revenue	19,986	81,875	101,861
1H2016 Revenue	17,592	73,874	91,466
% change	13.6	10.8	11.4
1H2017 Sales mix	19.6	80.4	100.0
1H2016 Sales mix	19.2	80.8	100.0
1H2017 Gross profit	4,920	15,073	19,993
1H2016 Gross profit	3,869	12,001	15,870
% change	27.2	25.6	26.0
1H2017 Gross profit margin	24.6%	18.4%	19.6%
1H2016 Gross profit margin	22.0%	16.2%	17.4%
Percentage point difference	2.6	2.2	2.2

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Group revenue increased by 2.3% from HK\$44.9 million in 2Q2016 to HK\$46.0 million in 2Q2017 and 11.4% from HK\$91.5 million in 1H2016 to HK\$101.9 million in 1H2017. The increase in 2Q2017 revenue was mainly attributed from the increase in sales from our IMD and Plastic Injection Parts segment while the increase in 1H2017 revenue was due to the increase in sales from our both IMD and Plastic Injection Parts segment and Automobile Component Parts segment. Following the increase in revenue and higher production efficiency achieved, overall gross profit also increased by 26.0% in both 2Q2017 and 1H2017, as compared to the past comparative periods. Overall gross margin is 21.7% in 2Q2017 and 19.6% in 1H2017 as compared to 17.6% in 2Q2016 and 17.4% in 1H2016. The increase in overall gross profit margin in 2Q2017 is mainly attributed to improvement in gross margins from our Automobile Component Parts segment while the increase in 1H2017 is attributed to improvement in gross margins from both business segments.

IMD and Plastic Injection Parts segment

Our IMD revenue increased by 17.4% from HK\$9.4 million in 2Q2016 to HK\$11.1 million in 2Q2017 and 13.6% from HK\$17.6 million in 1H2016 to HK\$20.0 million in 1H2017. The increase in IMD revenue was mainly due to increase in domestic sales to the customers in the consumer electronics industry. In 2Q2017, gross margin of our IMD and Plastic Injection Parts segment was slightly diluted by the outsourced production (with lower margin) which commenced in 2Q2017. Cumulatively, gross margin of our IMD and Plastic Injection Parts segment had improved from 22.0% in 1H2016 to 24.6% in 1H2017, mainly due to higher production efficiency achieved through improvement in material utilisation rate and capacity utilisation rate.

Automobile Component Parts Segment

Revenue from our Automobile Component Parts segment had remained relatively stable in 2Q2017 as compared to 2Q2016 while increased from HK\$73.9 million in 1H2016 to HK\$81.9 million in 1H2017. The increase in revenue was mainly due to the increase in sales of automobile components used in newer models of Hyundai vehicles in our automobile component factory in Beijing, which is in line with the strong sales performance of newer models of Hyundai vehicles in People's Republic of China ("PRC") in 1H2017. Direct and indirect sales to our main customer Beijing-Hyundai accounted for approximately 76.6% of the Group's total revenue in 2Q2017 (2Q2016: 79.6%) and approximately 80.1% of the Group's total revenue in 1H2017 (1H2016: 80.4%). Gross margin of our Automobile Component Parts segment improved from 15.9% in 2Q2016 to 21.3% in 2Q2017 and from 16.2% in 1H2016 to 18.4% in 1H2017 respectively. The improvement on gross margin was mainly due to (i) implementation of efficient production processes and effective production planning to improve the production utilisation rate for both in-house and outsourced production following production expansion and installation of mechanical arms used to operate plastic injection machines in 4Q2016, and (ii) favourable material price reduction from our suppliers in 2Q2017.

Other items of income

The increase in interest income in 2Q2017 and 1H2017 was mainly due to the increase in interest income on our bank accounts and fixed deposit placed with the bank in PRC.

Other income decreased by 83.5% from HK\$3.4 million in 2Q2016 to HK\$0.6 million in 2Q2017 and 51.3% from HK\$3.7 million in 1H2016 to HK\$1.8 million in 1H2017. The decrease in other income was mainly due to the absence of government grants related to income of HK\$2.5 million recorded in 2Q2016 and 1H2016 and compensation income of HK\$0.3 million in 2Q2017 and HK\$0.5 million in 1H2017, partially offset by the rental income of HK\$0.4 million in 2Q2017 and HK\$0.8 million in 1H2017. The rental income arose from the subletting of excess floor space in our factories in Beijing and Shenzhen which was absent in 2Q2016 and 1H2016 as rental only commenced in October 2015.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

In addition, the movement in other income was also due to net foreign exchange gain decreased by HK\$ 0.5 million in 2Q2017 but increased by HK\$0.3 million in 1H2017 as compared to the past comparative periods. The exchange rate of RMB against Hong Kong dollars had depreciated by about 0.4% in 2Q2017 and 3.3% in 1H2017 as compared to 2.5% in 2Q2016 and 1H2016 and resulted in exchange gains on the RMB denominated payable balances of our subsidiary in Hong Kong owing to our subsidiaries in PRC and British Virgin Islands.

Other items of expense

Despite the increase in revenue, selling and distribution expenses had remained fairly constant in 2Q2017 and 1H2017 as compared to 2Q2016 and 1H2016 respectively, which was a result of tight cost control.

General and administrative expenses increased by 32.8% from HK\$5.4 million in 2Q2016 to HK\$7.1 million in 2Q2017 and 35.4% from HK\$9.4 million in 1H2016 to HK\$12.7 million in 1H2017. The increase in general and administrative expenses in 2Q2017 and 1H 2017 was mainly due to the:

- Increase in employee benefit expenses by HK\$1.2 million in 2Q2017 and HK\$1.9 million in 1H2017 as compared to the past comparative periods. The increase was mainly arising from employee salary increments since the fourth quarter for the financial year ended 31 March 2016 (“4Q2016”);
- Increase in research and product testing expenses by HK\$0.2 million in 2Q2017 and HK\$0.4 million in 1H2017 as compared to the past comparative periods. The research and product testing expenses were incurred mainly for the development of new products for both business segments and potential new business opportunities;
- Increase in general and administrative expenses (excluding employee benefit expenses and research and product testing expenses) by HK\$0.1 million in 2Q2017 and HK\$0.7 million in 1H2017 by both business segments as a result of the increased business activities; and
- Increase in corporate expenses of HK\$0.1 million in 2Q2017 and HK\$0.3 million in 1H2017 by our Singapore office as a result of increase in professional fees such as continuing sponsorship fee which was absent in 2Q2016 and 1H2016.

Depreciation of property, plant and equipment increased by 12.4% in 2Q2017 and 18.5% in 1H2017, mainly due to increase in property, plant equipment from our Automobile Component Parts segment in Beijing since 4Q2016.

In 2Q2017 and 1H2017, the Group recorded a reversal of impairment loss on inventories of HK\$0.1 million, mainly from our IMD and the Plastic Parts segment.

Taxation

In 2Q2017 and 1H2017, the Group recorded a tax credit of HK\$33,000 and HK\$82,000 respectively as the Group had reversed an overprovision of income tax of HK\$0.2 million in 2Q2017 and HK\$0.5 million in 1H2017 following the finalisation of income tax assessment with the local tax authorities.

Other comprehensive income - Foreign currency translation

The foreign currency translation loss arose mainly from the translation of our net asset position in our financial statements denominated in RMB to Hong Kong dollars when consolidating the financial statements of the Group. The exchange rate of RMB against Hong Kong dollars in 2Q2017 and 1H2017 had depreciated by about 0.4% and 3.3% respectively (2Q2016 and 1H2016: 2.5%).

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Balance sheet

Non-current assets

The decrease in property, plant and equipment is mainly due to:

- Depreciation charges as of date of HK\$1.3 million; and
- Foreign translation loss of HK\$0.4 million; offset by
- Additions of HK\$0.4 million mainly relating to acquisition of plant and equipment by our Automobile Component Parts segment in Beijing.

As at 30 September 2016, non-current prepayment comprised prepayments made for property, plant and equipment. The increase of HK\$0.8 million was mainly for the acquisition of plant and equipment and renovation works of factories from our both business segment.

Current assets

Inventories decreased from HK\$26.7 million as at 31 March 2016 to HK\$24.3 million as at 30 September 2016. This was mainly due to decrease in automobile moulds used in the production of automobile components in Beijing. Consequently, inventory turnover days also decreased from 61 days as at 31 March 2016 to 54 days as at 30 September 2016.

Despite the increase in revenue, trade receivables and bill receivables of our Group as at 30 September 2016 had remained relatively stable as compared to 31 March 2016 as a result of prompt payment from our customers. As such, the combined trade and bill receivable turnover days had also decreased from 81 days as at 31 March 2016 to 78 days as at 30 September 2016.

Other receivables had decreased by 19.1% as compared to 31 March 2016. The decrease in other receivables was mainly due to the decrease in receivables of the provision of raw materials to sub-contractors for further processing of our automobile component products. These raw material receivables will generally be offset against the final subcontracting charges which is inclusive of the cost of raw materials. The transaction is structured for better control to minimise over raw material wastage incurred by the sub-contractors.

Current prepayments mainly comprised prepayments made to suppliers and sub-contractors. The decrease was mainly due to decrease in prepayments of HK\$8.8 million made to the suppliers and sub-contractors from our Automobile Component Parts segment following the receipt of goods and services and refund of prepayment upon cancellation of orders placed with suppliers previously.

Current Liabilities

Trade and other payables had slightly increased by 4.2% as compared to 31 March 2016, mainly due to increase in the production volume from our both business segments. As such, the trade payable turnover days had also increased from 106 days as at 31 March 2016 to 107 days as at 30 September 2016.

The decrease in amount due to related parties was mainly due to repayment made to a director during the financial period reported on.

The decrease in provision for income taxation was mainly due to income tax payment made during the financial period reported on.

Cash flow

The Group's cash and cash equivalents increased by HK\$2.4 million in 2Q2017 and HK\$16.6 million in 1H2017 respectively.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

The Group recorded net cash generated from operating activities of HK\$3.0 million in 2Q2017 and HK\$17.9 million in 1H2017 respectively. This was mainly due to working capital inflow of HK\$1.4 million in 2Q2017 and HK\$14.4 million in 1H2017, operating cash inflows before movements in working capital of HK\$1.5 million in 2Q2017 and HK\$3.9 million in 1H2017 and interest received of HK\$0.1 million in 2Q2017 and HK\$0.2 million in 1H2017. The 1H2017 cash inflows were partially offset by income tax paid of HK\$0.5 million in 1H2017.

The Group utilised HK\$0.5 million in 2Q2017 and HK\$1.4 million in 1H2017 in investing activities mainly due to purchase of plant and equipment.

There was no cash utilised or generated from financing activities during the financial period reported on.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

No forecast or prospect statement has been previously issued.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group's current business is largely contributed by automobile and consumer electronics market in PRC. Given the lack lustre Chinese economy's performance in FY2017, we expect business conditions to remain challenging. In addition, there are continuing uncertainties over the strength of the global economy resulting in a more volatile and unstable business environment.

We will continue to focus on improving production and operational efficiency. We would also focus on increasing and diversifying our customer base, but this will require more time to materialise.

As at the date of this announcement, the Group is still in the process of negotiation with the potential party for the business collaboration of water treatment to produce electrolysed water products. The Company would provide updates as and when appropriate.

The Company will also continue to assess other new business opportunities and potential acquisitions of new businesses with long term prospects that are expected to improve the overall financial position of the Group.

11. **Dividend**

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared or recommended.

13. Interested person transactions

If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

	Aggregate value of all interested person transactions during financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) HK\$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) HK\$'000
Shenzhen Kunda Precision Mould Co., Ltd ⁽¹⁾ ("Shenzhen Precision") Rental of factory premise at Bao Long Yi Road, Shenzhen	469	-
Total	469	-

No interested person transaction mandate was obtained from shareholders.

Note:

(1) Shenzhen Kunda Precision Mould Co., Ltd – a company incorporated in PRC. The shareholders of Shenzhen Precision are our Executive Chairman and CEO, Cai Kaoqun and our Executive Director Cai Kaobing who hold 95% and 5% of the equity interests in Shenzhen Precision respectively. The directors of Shenzhen Precision are Cai Kaoqun, and our Executive Directors, Yang Jinbiao and Cai Kaobing.

14. Confirmation that the Company has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that it has procured undertakings from all Directors and Executive Officers (in the format set out in Appendix 7H) pursuant to Rule 720(1) of the Catalist Rules.

15. Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the financial period ended 30 September 2016 to be false or misleading in any material aspect.

On Behalf of the Board of Directors

Cai Kaoqun
Executive Chairman and CEO
7 November 2016
Singapore

Yang Jinbiao
Executive Director and COO

BY ORDER OF THE BOARD
CAI KAOQUN
EXECUTIVE CHAIRMAN AND CEO
7 November 2016