



CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

Company registration number: 200712727W

Unaudited Financial Statements for the Financial Period ended 30 September 2020

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR AND FULL YEAR RESULTS

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

	Note	Group (HK\$'000)		Change %
		6 months ended 30-Sep-20 ("1H2021")	30-Sep-19 ("1H2020")	
<u>Consolidated Income Statement</u>				
<u>Continuing operations</u>				
Revenue		22,230	25,246	(11.9)
Cost of sales		(18,625)	(17,930)	3.9
Gross profit		3,605	7,316	(50.7)
Other items of income				
Interest income		70	344	(79.7)
Other income	1	852	468	82.1
Other items of expense				
Selling and distribution expenses		(755)	(1,212)	(37.7)
General and administrative expenses		(7,849)	(9,157)	(14.3)
Other (expenses)/ credit	2	(465)	110	n.m.
Loss for the period	3	(4,542)	(2,131)	113.1
Attributable to:				
Owners of the Company				
Loss for the period attributable to owners of the Company		(4,542)	(2,131)	113.1

n.m. : not meaningful

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

	Group		
	1H2021	1H2020	Change
	HK\$'000	HK\$'000	%
Loss for the period	(4,542)	(2,131)	113.1
Other comprehensive income:			
Items that may be subsequently reclassified to profit & loss:			
Foreign currency translation	1,453	(2,638)	n.m.
Items that may not be subsequently reclassified to profit & loss:			
Foreign currency translation	455	(944)	n.m.
Other comprehensive income for the period, net of tax	1,908	(3,582)	n.m.
Total comprehensive income for the period	(2,634)	(5,713)	(53.9)
Attributable to:			
Total comprehensive income for the period attributable to owners of the Company	(2,634)	(5,713)	(53.9)
Note 1 – Other income			
Sales of accessories, raw materials and scrap materials	302	294	2.7
Government grants related to income	550	18	n.m.
Net foreign exchange gain	-	156	n.m.
	852	468	82.1
Note 2 – Other expenses			
Net foreign exchange loss	91	-	n.m.
Collection of previously impaired trade receivables	(85)	-	n.m.
Impairment loss/ (Reversal of impairment loss) on inventories	459	(110)	n.m.
	465	(110)	n.m.
Note 3 – Loss for the period			
This is determined after charging the following:			
Depreciation of property, plant and equipment	850	952	(10.7)
Research and product testing expenses	1,560	1,425	9.5

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-20 HK\$'000	Group As at 31-Mar-20 HK\$'000	Company As at 30-Sep-20 HK\$'000	Company As at 31-Mar-20 HK\$'000
<u>Non-current assets</u>				
	-	-	44,555	42,735
	4,642	5,050	-	-
	66	79	-	-
	4,708	5,129	44,555	42,735
<u>Current assets</u>				
	4,243	6,252	-	-
	22,095	9,231	-	-
	4,363	7,673	70	67
	-	-	11,118	12,310
	22,740	32,596	268	722
	53,441	55,752	11,456	13,099
	58,149	60,881	56,011	55,834
<u>Current liabilities</u>				
	5,452	4,515	339	304
	5,993	7,502	996	1,619
	900	427	-	-
	-	-	-	-
	47	46	-	-
	12,392	12,490	1,335	1,923
	41,049	43,262	10,121	11,176
	12,392	12,490	1,335	1,923
	45,757	48,391	54,676	53,911
<u>Equity attributable to owners of the Company</u>				
	148,309	148,309	148,309	148,309
	(43,290)	(38,748)	(103,591)	(102,102)
	(74,397)	(74,397)	-	-
	15,135	13,227	9,958	7,704
	45,757	48,391	54,676	53,911
	58,149	60,881	56,011	55,834

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-20 HK\$'000	Group As at 31-Mar-20 HK\$'000
Note 1 – Inventories		
Raw materials	1,222	1,141
Work in progress	958	4,303
Finished goods	2,063	808
	4,243	6,252
Note 2 – Trade and other receivables		
Trade receivables	21,017	8,768
Bill receivables	877	0
Other receivables	201	463
	22,095	9,231
Note 3 – Cash and short-term deposits		
Total cash and cash equivalents in the consolidated cash flow statement	22,740	5,246
Short-term deposit with terms more than three months	-	27,350
	22,740	32,596

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 2020		As at 31 March 2020	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

(In HK\$'000)

As at 30 September 2020		As at 31 March 2020	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The Group did not have any bank borrowings or debt securities as at 30 September 2020 and 31 March 2020.

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)	
Notes	1H2021	1H2020
Operating activities		
Loss before tax, total	(4,542)	(2,131)
Adjustments for:		
Depreciation of property, plant and equipment	850	952
Amortisation of intangible assets	16	-
Impairment loss/ (Reversal of impairment loss) on inventories	459	(110)
Interest income	(70)	(344)
Unrealised foreign exchange loss	91	-
Operating cash flows before working capital changes	(3,196)	(1,633)
(Increase)/Decrease in:		
Trade and other receivables	(12,108)	(7,585)
Inventories	1,750	(11)
Prepayments	3,531	(511)
Increase/(Decrease) in:		
Trade and other payables	723	970
Other liabilities	(1,775)	(111)
Amount due to related parties, net	442	137
Cash flows used in operations	(10,633)	(8,744)
Interest received	70	344
Net cash flows used in operating activities	(10,563)	(8,400)
Investing activities		
Purchase of property, plant and equipment	(245)	(1,223)
Purchase of computer software	-	(99)
Withdrawal of short-term deposit with terms more than three months on the maturity date	27,395	-
Net cash flows generated from/(used in) investing activities	27,150	(1,322)
Net increase/(decrease) in cash and cash equivalents	16,587	(9,722)
Effect of exchange rate changes on cash and cash equivalents	907	(2,880)
Cash and cash equivalents at beginning of financial period	5,246	51,194
Cash and cash equivalents at end of financial period	22,740	38,592

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	Equity attributable to owners of the Company, total	Share capital	Accumulated losses	Restructuring reserve	Foreign currency
						translation reserve
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group						
1H2021						
Opening balance at 1 April 2020	48,391	48,391	148,309	(38,748)	(74,397)	13,227
Loss for the period	(4,542)	(4,542)	-	(4,542)	-	-
Other comprehensive income for the period, net of tax	1,908	1,908	-	-	-	1,908
Total comprehensive income for the period	(2,634)	(2,634)	-	(4,542)	-	1,908
Closing balance at 30 September 2020	45,757	45,757	148,309	(43,290)	(74,397)	15,135

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.

	Equity, total	Attributable to owners of the Company					Foreign currency translation reserve
		Equity attributable to owners of the Company,	Share capital	Accumulated losses	Restructuring reserve		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Group							
1H2020							
Opening balance at 1 April 2019	58,719	58,719	148,309	(32,056)	(74,397)	16,863	
Loss for the period	(2,131)	(2,131)	-	(2,131)	-	-	
Other comprehensive income for the period, net of tax	(3,582)	(3,582)	-	-	-	(3,582)	
Total comprehensive income for the period	(5,713)	(5,713)	-	(2,131)	-	(3,582)	
Closing balance at 30 September 2019	53,006	53,006	148,309	(34,187)	(74,397)	13,281	

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				
1H2021				
Opening balance at 1 April 2020	53,911	148,309	(102,102)	7,704
Loss for the period	(1,489)	-	(1,489)	-
Other comprehensive income for the period, net of tax	2,254	-	-	2,254
Total comprehensive income for the period	765	-	(1,489)	2,254
Closing balance at 30 September 2020	54,676	148,309	(103,591)	9,958
Company				
1H2020				
Opening balance at 1 April 2019	61,185	148,309	(98,708)	11,584
Loss for the period	(1,807)	-	(1,807)	-
Other comprehensive income for the period, net of tax	(3,746)	-	-	(3,746)
Total comprehensive income for the period	(5,553)	-	(1,807)	(3,746)
Closing balance at 30 September 2019	55,632	148,309	(100,515)	7,838

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 2020 and 31 March 2020	409,800,000	148,309

The Company had no outstanding convertibles, treasury shares or subsidiary holdings 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.

- 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 2020 and 31 March 2020
Total number of issued shares excluding treasury shares	409,800,000

The Company did not have any treasury shares as at 30 September 2020 and 31 March 2020.

- 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.

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

Not applicable, as the Company did not have any subsidiary holdings 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.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:—

(a) Updates on the efforts taken to resolve each outstanding audit issue.

Not applicable. The Group's latest financial statements are not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

Not applicable. The Group's latest financial statements are not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

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 2020, except for the adoption of certain new or revised Singapore Financial Reporting Standards (International) ("SFRS(I)") and Interpretations to SFRS(I) ("SFRS(I) INT") which became mandatory from 1 April 2020. The adoption of these SFRS(I) and SFRS(I) INT 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	
		1H2021	1H2020
Loss for the period attributable to owners of the Group, after deducting any provision for preference dividends and non-controlling interests	HK\$'000	(4,542)	(2,131)
Basic loss per share	HK cents	(1.11)	(0.52)

Basic loss per share for 1H2021 are calculated based on weighted average number of shares in issue of 409,800,000 (1H2020: 409,800,000) for the respective financial periods. The diluted loss per share is not presented as there were no potential dilutive securities as at 30 September 2020 and 30 September 2019.

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 2020	31 Mar 2020	30 Sept 2020	31 Mar 2020
Net assets per ordinary share after deducting non-controlling interests, based on 409.8 million shares as at 30 September 2020 (31 March 2020: 409.8 million shares)	HK cents	HK cents	HK cents	HK cents
	11.17	11.81	13.34	13.16

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.

Income Statement

Revenue and Gross Profit

Financial period (HK\$'000)	IMD Business	Furniture Business	Medical Device Business	Total
1H2021 Revenue	14,185	1,665	6,380	22,230
1H2020 Revenue	23,577	1,669	-	25,246
% change	(39.8)	(0.2)	n.m.	(11.9)
1H2021 Sales mix	63.8%	7.5%	28.7%	100.0%
1H2020 Sales mix	93.4%	6.6%	-	100.0%
1H2021 Gross profit	3,032	219	354	3,605
1H2020 Gross profit	7,174	142	-	7,316
% change	(57.7)	54.2	n.m.	(50.7)
1H2021 Gross profit margin	21.4%	13.2%	5.5%	16.2%
1H2020 Gross profit margin	30.4%	8.5%	-	29.0%
Percentage point difference	(9.0)	4.7	n.m.	(12.8)

n.m. : not meaningful

As tabulated above, our Group's revenue decreased by 11.9% in 1H2021 as compared to 1H2020, mainly due to decrease in sales from our In-Mould Decoration ("IMD") and the Plastic Injection Parts Business (collectively, the "IMD Business"), offset by the maiden revenue from our medical device business. Despite the revenue decline, overall cost of sales increased by 3.9% in 1H2021 as compared to 1H2020, mainly due to the commencement of the medical business which recorded cost of sales amounting to HK\$6.0 million and lower capacity utilization rate from our IMD business. As such, the Group's overall gross profit decreased by 50.7% in 1H2021 as compared to 1H2020.

IMD Business

IMD revenue decreased by 39.8% in 1H2021 as compared to 1H2020, mainly attributed to the decline in sales of IMD and plastic injection parts to the customers in consumer electronics and electrical appliances industries who were adversely affected by the effects of poor market sentiment in global market mainly due to Covid-19. Following the decline in revenue and consequential lower capacity utilisation rate, gross margin decreased from 30.4% in 1H2020 to 21.4% in 1H2021.

Furniture Business

In 1H2021, the revenue from our furniture business remained relatively stable as compared to 1H2020. With increased sales from higher margins products such as customized cabinetry products and kitchen appliances, the gross margin improved from 8.5% in 1H2020 to 13.2% in 1H2021.

Medical Device Business

In 1H2021, our medical device business commenced operation and contributed revenue of HK\$6.4 million from sales of thermometers, and gross profit of HK\$0.4 million respectively.

Other items of income

The decrease in interest income in 1H2021 was mainly attributed to decrease in fixed deposits placed with the banks in PRC, in tandem with decline in cash and short-term deposits.

The increase in other income in 1H2021 as compared to 1H2020 was mainly due to increase in government grants related to income mainly for technologically advanced domestic enterprise status, research and development activities and employee training, offset by the decrease in net foreign exchange gain mainly arising from the conversion of US dollars to Renminbi for the bank balance denominated in US dollars.

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.**

Other items of expense

Selling and distribution expenses decreased by 37.7% in 1H2021 as compared to 1H2020, mainly due to the decline in revenue from our IMD business.

General and administrative expenses decreased by 14.3% in 1H2021 as compared to 1H2020, mainly due to decrease in employee benefit expenses and other administrative expenses, in tandem with the decreased business volume from our IMD business.

In 1H2021, other expenses mainly comprised of an impairment loss on inventories of HK\$0.5 million mainly for certain IMD moulds and stagnant materials from our IMD business, as compared to reversal of impairment loss on inventories of HK\$0.1 million in 1H2020.

Depreciation of plant and equipment decreased by 10.7%, mainly due to the full amortisation of renovation works for the factory of our IMD business located in Shenzhen which were carried out in FY2017.

Arising from the above, the Group recorded a net loss of HK\$4.5 million in 1H2021 as compared to HK\$2.1 million in 1H2020.

Other comprehensive income - Foreign currency translation

The foreign currency translation gain arose mainly from the translation of our net asset position in our financial statements denominated in Renminbi (“RMB”) to Hong Kong dollars (“HKD”) when consolidating the Group's financials. HKD depreciated against RMB by approximately 4.3% in 1H2021 as compared to an appreciation of 6.2% in 1H2020.

Balance sheet

Non-current assets

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

- Depreciation charges of HK\$0.9 million recorded in 1H2021; offset by
- Foreign currency translation gain of HK\$0.2 million; and
- Addition of HK\$0.2 million mainly relating to acquisition of plant and equipment by our IMD business.

The intangible assets comprised computer software from our Furniture Business. The decrease was mainly due to amortisation charges recorded during the financial period.

Current assets

Inventories as at 30 September 2020 decreased by 32.1% as compared to 31 March 2020, mainly due to decrease in work-in-progress of thermometers which had been completed and sold during the financial period, partially offset by the increase in finished goods of thermometers produced during the financial period.

Trade and other receivables of our Group increased from HK\$ 9.2 million as at 31 March 2020 to HK\$22.1 million as at 31 March 2019, mainly due to:

- Increase in trade receivables of HK\$7.0 million from sales of thermometers and its accessories which commenced during the financial period reported on;
- Increase in trade receivables of HK\$5.1 million from increase in sales of IMD parts and raw materials inclusive of value added tax by HK\$4.9 million from the IMD Business in second quarter ended 30 September 2020 (“2Q2021”) as compared to fourth quarter ended 31 March 2020 (“4Q2020”); and
- Increase in bill receivables of HK\$0.9 million from one of our IMD customers who settles their trade balance by way of 50% in cash and 50% in bank bills. As at 31 March 2020, the bank bills were transferred to the suppliers.

Prepayments as at 30 September 2020 decreased by 43.1% as compared to 31 March 2020, was mainly due to prepayments realised upon the receipt of goods and services from supplier and subcontractors during the financial period.

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.**

Current liabilities

Trade and other payables of our Group as at 30 September 2020 increased by 20.8% as compared to 31 March 2020, mainly due to increase in trade and other payables from our IMD business, in tandem with the increase in sales and production volume in 2Q2021 as compared to 4Q2020.

Other liabilities as at 30 September 2020 decreased by 20.1% as compared to 31 March 2020, mainly due to:

- Decrease in customer advances by HK\$1.0 million mainly from our IMD business, which had been realised upon the delivery of goods to the customers during the financial period reported on;
- And
- Decrease in accrued operating expenses by HK\$0.6 million from our Singapore office following the payments made during the financial period reported on.

The increase in amount due to related parties was mainly due to accrual of rental expenses of our factory premise at Bao Long Yi Road during the financial year reported on.

Cash flow

In 1H2021, the Group's cash and cash equivalents increased by HK\$16.6 million.

In 1H2021, net cash flow used in operating activities was mainly due to working capital outflow of HK\$7.4 million and operating cash outflows before working capital changes of HK\$3.2 million. The working capital outflow in 1H2021 mainly arose from increase in trade receivables of HK\$12.1 million and decrease in other liabilities of HK\$1.8 million, partially offset by decrease in prepayments of HK\$3.5 million, decrease in inventories of HK\$1.8 million, increase in trade and other payables of HK\$0.7 million and increase in amount due to related parties of HK\$0.4 million. The increase in overall working capital was mainly attributed to the sales of thermometers and its accessories which commenced during the financial period and increase in sales of IMD parts and raw materials in 2Q2021 as compared to 4Q2020.

In 1H2021, the Group recorded net cash inflow of HK\$27.2 million in investing activities which pertains to withdrawal of a 6-month fixed deposit of HK\$27.4 million with the bank in People Republic of China on the maturity date, offset by acquisition of plant and equipment of HK\$0.2 million from our IMD business.

There was no cash utilised or generated from financing activities in 1H2021.

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

The financial results are in-line with the forecast statement disclosed in the Company's financial results announcement for the financial year ended 31 March 2020, dated 24 June 2020.

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 the electronics manufacturers in People Republic of China ("PRC") who supply their products to the domestic and international markets. With the continuing uncertainties over the PRC economic condition and expected weakening demand in the international markets, the manufacturing industry in PRC is expected to continue to face the challenge of slowing demand and rising costs.

The Group's existing businesses was adversely impacted by the outbreak of the COVID-19 pandemic in 4Q2020. In 1H2021, the COVID-19 pandemic is largely under control in the PRC and the market demand and supply chain in the PRC are also gradually recovering.

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 average quarterly revenue rose 87% in 1H2021 as compared to 4Q2020. The growth was largely attributed to the maiden revenue from the sales of thermometers. However, in view of intensifying competition, the market demand of thermometers is expected to slow down in second half of the financial year ending 31 March 2021. Notwithstanding the revenue growth in 1H2021 as compared to the six months period ended 31 March 2020 ("2H2020"), the growth momentum of our existing businesses to remain challenging and volatile in the current business environment. In view of the foregoing, the Group is likely to continue incurring losses.

On 29 July 2020, the Company announced that the Group proposed to diversify its existing core businesses to include the business of medical device and other related products (the "Proposed Diversification"). The Proposed Diversification had been approved by the shareholders at the extraordinary general meeting of the Company held on 27 August 2020. Despite the expected slow down in sales of thermometers, the Group had assessed the potential of other medical device and is optimistic that the increase in healthcare awareness is expected to drive growth in the medical device industry worldwide in long-term. The Proposed Diversification will allow the Group to participate in the growth prospects of the medical device industry. As at the date of this announcement, the Group is in the process of negotiations with the potential business partners to manufacture and supply other medical devices. The Company would provide updates as and when appropriate.

We will also continue to improve the existing operations through seeking higher productivity in our core businesses and strengthen collaboration with our existing and potential business partners. In addition, we will seek out other new products range and sales channels that will provide scalability and sustainability for our IMD Business and Furniture Business. We will also continue to diversify our customer base through these measures.

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

11. Dividend

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No.

(b) (i) Amount per share cents

No.

(ii) Previous corresponding period cents

No.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

Due to the Group's subdued financial performance and intention to invest in new business opportunities that could assist in improving the overall financial position of the Group, no dividend has been declared or recommended for the current reporting period on grounds of prudence.

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.

Name of interested person	Aggregate value of all interested person transactions during financial year 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
<u>Shenzhen Kunda Precision Mould Co., Ltd</u> ⁽¹⁾ (" Shenzhen Precision ")		
Rental of factory premises at Bao Long Yi Road, Shenzhen	3,056 ⁽²⁾	-
Total	3,056	-

No interested person transaction mandate was obtained from shareholders. Save for as disclosed above, there were no IPTs exceeding S\$100,000 entered into during the financial period reported on.

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 Director, Cai Kaobing.
- (2) The total annual rental of RMB2,760,000 was translated at the average exchange rate of RMB1.00:HK\$1.1074 for the financial period ended from 1 April 2020 to 30 September 2020.

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. Disclosures on Acquisition and Realisation of shares Pursuant to Rule 706A

Not applicable. During 1H2021, there were no acquisition or disposal of shares in subsidiaries, associated companies of the Company or in any company which became or ceased to be a subsidiary or an associated company (as the case may be) resulting from such acquisition or disposal, as required by Rule 706A.

16. Negative confirmation by the Board pursuant to Rule 705(5) of the Catalist Rules.

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 six months ended 30 September 2020 to be false or misleading in any material aspect.

On Behalf of the Board of Directors

Cai Kaoqun
Executive Chairman and CEO

Cai Kaobing
Executive Director

BY ORDER OF THE BOARD
CAI KAOQUN
EXECUTIVE CHAIRMAN AND CEO
12 November 2020

This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Ms. Ng Shi Qing, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.