



# CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

Company registration number: 200712727W

**Financial Statements for the financial period ended 30 June 2015**

## 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.**

	Group (HK\$'000)		Change %
	3 months ended 30-Jun-15 ("1Q2016")	3 months ended 30-Jun-14 ("1Q2015")	
<b><u>Continuing operations</u></b>			
Revenue	46,517	52,801	(11.9)
Cost of sales	(38,555)	(47,834)	(19.4)
<b>Gross profit</b>	<b>7,962</b>	<b>4,967</b>	60.3
<b>Other items of income</b>			
Interest income (Note 1)	19	305	(93.8)
Other income (Note 2)	360	49	634.7
<b>Other items of expense</b>			
Selling and distribution expenses	(2,750)	(2,349)	17.1
General and administrative expenses	(4,022)	(4,851)	(17.1)
Other expenses (Note 3)	(58)	(299)	(80.6)
<b>Profit/(Loss) before tax from continuing operations (Note 4)</b>	<b>1,511</b>	<b>(2,178)</b>	n.m.
Income tax expense (Note 5)	(299)	-	n.m.
<b>Profit/(Loss) from continuing operations, net of tax</b>	<b>1,212</b>	<b>(2,178)</b>	n.m.
<b><u>Discontinued operations</u></b>			
<b>Loss from discontinued operations, net of tax</b>	<b>-</b>	<b>(2,922)</b>	(100.0)
<b>Profit/(Loss) for the period</b>	<b>1,212</b>	<b>(5,100)</b>	n.m.
<b>Attributable to:</b>			
<b>Owners of the Company</b>			
- Profit/(Loss) from continuing operations, net of tax	871	(2,274)	n.m.
- Loss from discontinued operation, net of tax	-	(3,028)	n.m.
<b>Profit/(Loss) for the period attributable to owners of the Company</b>	<b>871</b>	<b>(5,302)</b>	n.m.
<b>Non-controlling interests</b>			
- Profit from continuing operations, net of tax	341	96	255.2
- Profit from discontinued operation, net of tax	-	106	n.m.
<b>Profit for the period attributable to non-controlling interests</b>	<b>341</b>	<b>202</b>	68.8

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

	<b>Group</b>		
	<b>1Q2016</b>	<b>1Q2015</b>	<b>Change</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>%</b>
<b>Profit/(Loss) for the period</b>	<b>1,212</b>	<b>(5,100)</b>	n.m.
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit and loss:			
Foreign currency translation (Note 6)	(43)	230	n.m.
<b>Other comprehensive income for the period, net of tax</b>	<b>(43)</b>	<b>230</b>	n.m.
<b>Total comprehensive income for the period</b>	<b>1,169</b>	<b>(4,870)</b>	n.m.
<b>Attributable to:</b>			
Owners of the Company	840	(5,112)	n.m.
Non-controlling interests	329	242	36.0
<b>Total comprehensive income for the period</b>	<b>1,169</b>	<b>(4,870)</b>	n.m.
<b>Attributable to:</b>			
<b>Owners of the Company</b>			
Total comprehensive income from continuing operations, net of tax	840	(2,122)	n.m.
Total comprehensive income from discontinued operations, net of tax	-	(2,990)	n.m.
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>840</b>	<b>(5,112)</b>	n.m.

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

	<b>Group</b>		
	<b>1Q2016</b>	<b>1Q2015</b>	<b>Change</b>
	<b>HKS'000</b>	<b>HKS'000</b>	<b>%</b>
<b>Note 1 – Interest income</b>			
Interest income from bank and other receivables	19	305	(93.8)
<b>Note 2 – Other income</b>			
Sale of raw materials/ scrap materials	135	-	n.m.
Gain on disposal of property, plant and equipment	-	49	n.m.
Compensation income	225	-	n.m.
	<u>360</u>	<u>49</u>	634.7
<b>Note 3 – Other expenses</b>			
Net foreign exchange loss	49	97	(49.5)
Impairment loss on inventories	9	202	(95.5)
	<u>58</u>	<u>299</u>	(80.6)
<b>Note 4 – Profit/(Loss) before tax</b>			
This is determined after charging the following:			
Depreciation of property, plant and equipment	526	463	13.6
<b>Note 5 – Income tax expense</b>			
Current income taxation	299	-	n.m.

**Note 6 - Other comprehensive income - Foreign currency translation**

The foreign currency translation loss arises mainly from the translation of our financial statements denominated in Renminbi to Hong Kong dollars when consolidating the financial statements of the Group. As compared to the closing exchange rate in FY2015, the average and closing exchange rate of Renminbi against Hong Kong dollars in 1Q2016 had depreciated by about 0.1% (1Q2015: depreciated by 0.3%) and 0.1% (1Q2015: appreciated by 0.1%) respectively.

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

	<b>Group As at 30-Jun-15 HK\$'000</b>	<b>Group As at 31-Mar-15 HK\$'000</b>	<b>Company As at 30-Jun-15 HK\$'000</b>	<b>Company As at 31-Mar-15 HK\$'000</b>
<b><u>Non-current assets</u></b>				
Investment in subsidiaries	-	-	48,840	48,864
Property, plant and equipment	10,591	10,984	-	-
Prepayments	246	1,214	-	-
<b>Total non-current assets</b>	<b>10,837</b>	<b>12,198</b>	<b>48,840</b>	<b>48,864</b>
<b><u>Current assets</u></b>				
Inventories (Note 1)	24,912	26,682	-	-
Trade and other receivables (Note 2)	54,700	44,148	-	-
Prepayments	18,908	22,561	22	222
Amount due from related parties	-	-	34,374	34,388
Cash and bank balances	26,746	27,494	2,751	279
<b>Total current assets</b>	<b>125,266</b>	<b>120,885</b>	<b>37,147</b>	<b>34,889</b>
<b>Total Assets</b>	<b>136,103</b>	<b>133,083</b>	<b>85,987</b>	<b>83,753</b>
<b><u>Current liabilities</u></b>				
Trade and other payables	47,410	49,264	-	-
Other liabilities	10,097	10,659	1,900	1,774
Amount due to related parties	1,079	889	-	-
Deferred government grants	2,701	1,876	-	-
Provision for taxation	355	355	-	-
<b>Total current liabilities</b>	<b>61,642</b>	<b>63,043</b>	<b>1,900</b>	<b>1,774</b>
<b>Net current assets</b>	<b>63,624</b>	<b>57,842</b>	<b>35,247</b>	<b>33,115</b>
<b>Total liabilities</b>	<b>61,642</b>	<b>63,043</b>	<b>1,900</b>	<b>1,774</b>
<b>Net assets</b>	<b>74,461</b>	<b>70,040</b>	<b>84,087</b>	<b>81,979</b>
<b><u>Equity attributable to owners of the Company</u></b>				
Share capital	148,309	145,057	148,309	145,057
Accumulated losses	(47,688)	(48,559)	(81,117)	(80,007)
Restructuring reserve	(74,397)	(74,397)	-	-
Foreign currency translation reserve	22,629	22,660	16,895	16,929
	48,853	44,761	84,087	81,979
Non-controlling interests	25,608	25,279	-	-
<b>Total equity</b>	<b>74,461</b>	<b>70,040</b>	<b>84,087</b>	<b>81,979</b>
<b>Total equity and liabilities</b>	<b>136,103</b>	<b>133,083</b>	<b>85,987</b>	<b>83,753</b>

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

	<b>Group As at 30-Jun-15 HK\$'000</b>	<b>Group As at 31-Mar-15 HK\$'000</b>
<b>Note 1 – Inventories</b>		
Raw materials	3,445	4,071
Work in progress	2,642	2,913
Finished goods	18,825	19,698
	24,912	26,682
	24,912	26,682
<b>Note 2 – Trade and other receivables</b>		
Trade receivables	49,987	37,916
Bill receivables	981	853
Other receivables	3,732	5,379
	54,700	44,148
	54,700	44,148

**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)**

<b>As at 30 June 2015</b>		<b>As at 31 March 2015</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
-	-	-	-

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

**Amount repayable after one year**

**(In HK\$'000)**

<b>As at 30 June 2015</b>		<b>As at 31 March 2015</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
-	-	-	-

**Details of any collateral**

The Group does not have any bank borrowings or debt securities as at 30 June 2015 and 31 March 2015.

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

	<b>Group</b>	
	<b>(HK\$'000)</b>	
	<b>1Q2016</b>	<b>1Q2015</b>
<b>Operating activities</b>		
Profit/(Loss) before tax from continuing operations	1,511	(2,178)
Loss before tax from discontinued operation	-	(2,922)
Profit/(Loss) before tax, total	1,511	(5,100)
Adjustments for:		
Depreciation of property, plant and equipment (Note A)	526	1,424
Amortisation of land use rights (Note B)	-	428
Impairment loss on inventories (Note C)	9	757
Gain on disposal of property, plant and equipment	-	(49)
Interest income	(19)	(305)
Translation differences	(24)	716
Operating cash flows before working capital changes	2,003	(2,129)
(Increase)/decrease in:		
Trade and other receivables	(10,552)	(6,018)
Inventories	2,887	6,641
Prepayments	3,653	(671)
Amount due from related parties, net	190	3
Increase/(decrease) in:		
Trade and other payables	(1,559)	(6,471)
Other liabilities	(562)	(9,696)
Cash flows used in operations	(3,940)	(18,341)
Interest received	19	305
Income tax paid	(299)	(1,308)
<b>Net cash flows used in operating activities</b>	<b>(4,220)</b>	<b>(19,344)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment (Note D)	(592)	(5,141)
Proceeds from disposal of property, plant and equipment	-	49
Government grants received	825	123
<b>Net cash flows from/(used) in investing activities</b>	<b>233</b>	<b>(4,969)</b>
<b>Financing activities</b>		
Proceeds from short term borrowings	-	1,680
Repayment of short term borrowings	-	(1,680)
Proceeds from issuance of new ordinary shares	3,555	-
Share issuance expenses	(303)	-
<b>Net cash flows from financing activities</b>	<b>3,252</b>	<b>-</b>
Net decrease in cash and cash equivalents	(735)	(24,313)
Effect of unrealised foreign currency difference	(13)	(55)
Cash and cash equivalents at beginning of financial period	27,494	38,687
<b>Cash and cash equivalents at end of financial period</b>	<b>26,746</b>	<b>14,319</b>

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

<b>Group</b>	
<b>(HK\$'000)</b>	
<b>1Q2016</b>	<b>1Q2015</b>

**Note A:**

**Depreciation of property, plant and equipment:**

Depreciation of property, plant and equipment from continuing operations	526	463
Depreciation of property, plant and equipment from discontinued operations	-	961
Total depreciation of property, plant and equipment	526	1,424

**Note B:**

**Amortisation of land use rights:**

Amortisation of land use rights from discontinued operations	-	428
Total amortisation of land use rights	-	428

**Note C:**

**Impairment loss on inventories:**

Impairment loss on inventories from continuing operations	9	202
Impairment loss on inventories from discontinued operations	-	555
Total impairment loss on inventories	9	757

**Note D:**

**Cash outflow on purchase of property, plant and equipment:**

Aggregate cost of property, plant and equipment acquired	139	8,948
Add: Payment for prior years acquisitions	374	115
Less: Outstanding payments	(79)	(2,096)
Less: Movement of prepayments made	158	(1,826)
Cash payments made to acquire property, plant and equipment	592	5,141



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 HK\$'000
	Equity, total HK\$'000	Equity attributable to owners of the Company, HK\$'000	Share capital HK\$'000	Accumulated losses HK\$'000	Restructuring reserve HK\$'000	Foreign currency translation reserve HK\$'000	
<b>Group</b>							
<b>1Q2016</b>							
Opening balance at 1 April 2015	70,040	44,761	145,057	(48,559)	(74,397)	22,660	25,279
Profit net of tax	1,212	871	-	871	-	-	341
Other comprehensive income for the period	(43)	(31)	-	-	-	(31)	(12)
Total comprehensive income for the period	1,169	840	-	871	-	(31)	329
<u>Contributions by and distributions to owners</u>							
Issuance of new ordinary shares	3,555	3,555	3,555	-	-	-	-
Share issuance expenses	(303)	(303)	(303)	-	-	-	-
Total transactions with the owners in their capacity as owners	3,252	3,252	3,252	-	-	-	-
Closing balance at 30 June 2015	74,461	48,853	148,309	(47,688)	(74,397)	22,629	25,608

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 HK\$'000
	Equity, total HK\$'000	Equity attributable to owners of the Company, HK\$'000	Share capital HK\$'000	Accumulated losses HK\$'000	Restructuring reserve HK\$'000	Statutory reserve HK\$'000	Foreign currency translation reserve HK\$'000	
<b>Group</b>								
<b>1Q2015</b>								
Opening balance at 1 April 2014	65,141	34,843	145,057	(32,765)	(106,937)	2,928	26,560	30,298
(Loss)/Profit net of tax	(5,100)	(5,302)	-	(5,302)	-	-	-	202
Other comprehensive income for the period	230	190	-	-	-	-	190	40
Total comprehensive income for the period	(4,870)	(5,112)	-	(5,302)	-	-	190	242
Closing balance at 30 June 2014	60,271	29,731	145,057	(38,067)	(106,937)	2,928	26,750	30,540

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.

	<b>Attributable to owners of the Company</b>			
	<b>Equity, total</b> HK\$'000	<b>Share capital</b> HK\$'000	<b>Accumulated losses</b> HK\$'000	<b>Foreign currency translation reserve</b> HK\$'000
<b>Company</b>				
<b>1Q2016</b>				
Opening balance at 1 April 2015	81,979	145,057	(80,007)	16,929
Loss net of tax	(1,110)	-	(1,110)	-
Other comprehensive income for the period	(34)	-	-	(34)
Total comprehensive income for the period	(1,144)	-	(1,110)	(34)
<u>Contributions by and distributions to owners</u>				
Issuance of new ordinary shares	3,555	3,555	-	-
Share issuance expenses	(303)	(303)	-	-
Total transactions with the owners in their capacity as owners	3,252	3,252	-	-
Closing balance at 30 June 2015	84,087	148,309	(81,117)	16,895
<b>1Q2015</b>				
Opening balance at 1 April 2014	105,946	145,057	(55,702)	16,591
Loss net of tax	(1,295)	-	(1,295)	-
Other comprehensive income for the period	131	-	-	131
Total comprehensive income for the period	(1,164)	-	(1,295)	131
Closing balance at 30 June 2014	104,782	145,057	(56,997)	16,722

- 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.**

	<b>Number of shares</b>	<b>Resultant issued and Paid-up share capital (HK\$,000)</b>
<b>Share capital as at 31 March 2015 and 1 April 2015</b>	<b>352,000,000</b>	<b>145,057</b>
New shares issued on 11 May 2015	57,800,000	3,252
<b>Share capital as at 30 June 2015</b>	<b>409,800,000</b>	<b>148,309</b>

The Company has no outstanding convertibles or treasury shares as at the end of the current financial period reported on and as at the end 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.**

	30 June 2015	31 March 2015
Total number of issued shares excluding treasury shares	409,800,000	352,000,000

- 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.**

There is no sale, transfer, disposal, cancellation and/or use of 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 2015, except for the adoption of certain new or revised FRS and Interpretations to FRS which became mandatory from 1 April 2015. The adoption of these FRS and INT FRS has no significant impact to the Group.

- 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 para 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	
		1Q2016	1Q2015
Profit/(Loss) of the Group, after deducting any provision for preference dividends and non-controlling interests	HK\$'000	871	(5,302)
Earnings/(Loss) per share Basic	HK cents	0.2	(1.5)

Basic earnings per share are calculated based on weighted average number of shares issued of 384,393,000 (1Q2015: 352,000,000) ordinary shares.

Diluted earnings per share are not presented as there are no potential dilutive shares in existence as at balance sheet date.

**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 Jun 2015	31 Mar 2015	30 Jun 2015	31 Mar 2015
	HK cents	HK cents	HK cents	HK cents
Net asset per ordinary share less non-controlling interest, based on 409.8 million shares as at 30 June 2015 (31 March 2015: 352 million shares)	11.9	12.7	20.5	23.3

**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 1Q2016, the Group recorded a 11.9% decline in revenue as compared to 1Q2015 due to decrease in revenue from our Automobile component segment. Despite the decline in revenue, overall gross profit increased by 60.3%. The improvement in overall gross profit was from both IMD and plastic injection parts segment and Automobile component segment, mainly as a result of implementation of cost cutting measures and favourable sales mix.

As compared to 1Q2015, other items of income increased by 7.1% while other items of expenses decreased by 8.9%. Arising from the above and coupled with the absence of loss from discontinued operations and increase in income tax expenses, the Group recorded a net profit of HK\$1.2 million in 1Q2016 compared to a net loss of HK\$5.1 million in 1Q2015.

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.

**Revenue and Gross Profit**

(HK\$'000)	IMD and plastic injection parts	Automobile component	Total
<b>1Q2016 Revenue</b>	8,162	38,355	<b>46,517</b>
<b>1Q2015 Revenue</b>	8,034	44,767	<b>52,801</b>
<b>% change</b>	1.6%	(14.3%)	<b>(11.9%)</b>
<b>1Q2016 Sales mix</b>	17.5%	82.5%	<b>100%</b>
<b>1Q2015 Sales mix</b>	15.2%	84.8%	<b>100%</b>
<b>1Q2016 Gross profit</b>	1,611	6,351	<b>7,962</b>
<b>1Q2015 Gross profit</b>	737	4,230	<b>4,967</b>
<b>% change</b>	118.6%	50.1%	<b>60.3%</b>
<b>1Q2016 Gross profit margin</b>	19.7%	16.6%	<b>17.1%</b>
<b>1Q2015 Gross profit margin</b>	9.2%	9.4%	<b>9.4%</b>
<b>Percentage point difference</b>	10.5%	7.2%	<b>7.7%</b>

In 1Q2016, overall revenue decreased by 11.9%, from HK\$52.8 million in 1Q2015 to HK\$46.5 million in 1Q2016. The decrease in revenue is mainly due to decline in sales from our Automobile component segment. Despite the decline in revenue, overall gross profit increased from HK\$5.0 million in 1Q2015 to HK\$8.0 million in 1Q2016 while the overall gross profit margin had also increased from 9.4% in 1Q2015 to 17.1% in 1Q2016. Direct and indirect sales to Beijing-Hyundai accounted for approximately 81.5% of the Group's total revenue in 1Q2016.

In 1Q2016, IMD revenue had remained relatively stable as compared to 1Q2015. Gross margin for our IMD and plastic injection parts segment improved from 9.2% in 1Q2015 to 19.7% in 1Q2016. The improvement was mainly due to higher production efficiency achieved through reduction in workforce and improvement in material utilisation rate.

Automobile component sales had decreased by 14.3%, from HK\$44.8 million in 1Q2015 to HK\$38.4 million in 1Q2016. The decrease in revenue was mainly due to lower contributions from automobile components used in certain older models of Hyundai vehicles in 1Q2016. As Hyundai renews its product range, sales of its older car models had declined while its newer car models are rolled out to the market. Despite the decline in revenue, gross profit and gross margin of our Automobile component part segment had improved from HK\$4.2 million and 9.4% in 1Q2015 to HK\$6.4 million and 16.6% in 1Q2016 respectively. The improvement on gross profit margin was mainly due to the following:

- i) Favourable sales mix of automobile components with higher margins for new models of Hyundai vehicles, from 13.7% of total automobile component sales in 1Q2015 to 46.8% in 1Q2016 ; and
- ii) Implementation of more efficient production processes, in particular reduction in idle production time through effective production planning to improve the production utilisation rate for both in house production and outsourcing activities.

We will continue to improve operational efficiency as well as to seek for new sales channel or business opportunities.

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 income**

The decrease in interest income in 1Q2016 is mainly due to decrease in interest income charged on advances given to the minority shareholder of one of our subsidiaries following full repayment in November 2014.

The increase in other income in 1Q2016 was mainly due to increase in sales of raw materials and scrap materials and a compensation income of HK\$0.2 million received for the cancellation of a contract by a vendor. The contract was entered into for the trading of electrical components, and the Group received a compensation of 3% of the prepayments made. The initial prepayment and compensation had been collected in full.

#### **Other items of expense**

Our selling and distribution expenses increased from HK\$2.3 million in 1Q2015 to HK\$2.8 million in 1Q2016. The increase was mainly due to the increase in selling and distribution expenses from our automobile components operation in Beijing mainly as a result of increase in headcount of customer service and quality control team to provide a higher quality of service.

General and administrative expenses of the Group decreased from HK\$4.9 million in 1Q2015 to HK\$4.0 million in 1Q2016 mainly due to:

- Decrease in operating lease expenses by HK\$ 0.4 million as a result of reduction in excess office space;
- Decrease in research expenses by HK\$0.2 million. The research is carried out mainly in the development of new products for the IMD and plastic injection parts; and
- Decrease in professional fee expenses of HK\$0.2 million in 1Q2016 by our Singapore office due to professional fees incurred for the disposal of subsidiaries in FY2015, which is absent in 1Q2016.

In 1Q2016, the decrease in other expenses was due to decreases in impairment loss on inventories and net foreign exchange loss.

#### **Income tax expense**

In 1Q2016, the Group recorded income tax expenses of HK\$0.3 million on the chargeable income of the entities within our Group in China which are subject to headline income tax rate of 25%. The lower effective tax rate is mainly due to utilisation of prior year losses carried forward.

#### **Loss from discontinued operations, net of tax**

Upon the completion of the disposal of discontinued operations, the financial results of disposal group had been de-consolidated from the group's financial statement with effect from 31 July 2014.

#### **Balance sheet**

##### **Non-current assets**

The decrease in property, plant and equipment is mainly due to current year depreciation charges of HK\$0.5 million, offset by additions of HK\$0.1 million.

The decrease in non-current prepayment is mainly due to decrease in prepayments by HK\$1.1 million from our automobile component operation for the production of moulds outsourced to external vendors. The mould had been completed and sold to our customer in 1Q2016.

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 assets and current liabilities

Inventories had decreased from HK\$26.7 million as at 31 March 2015 to HK\$24.9 million as at 30 June 2015. This was mainly due to the decrease in the inventories of our Automobile Component segment as a result of decline in production volume.

Bill receivables of our Group relates to bank bills received from customers for the sale of products, the amount of bank bills held at any point in time is mainly dependent on the maturity period of the bank bills. Combined trade receivables and bill receivables of our Group as at 30 June 2015 had increased by 31.5% as compared to 31 March 2015. This was mainly due to the following:

- Increase in trade receivables of HK\$9.7 million from our Automobile Component segment. The increase was mainly due to timing difference of sale invoices issued and slower repayment from our customers for the automobile components sold in the month of April 2015. The overdue debts of approximately HK\$12.5 million had been collected in full in July 2015; and
- Increase in combined trade receivables and bill receivables from our IMD and plastic injection parts segment by HK\$2.6 million mainly due to increase in revenue by HK\$2.5 million for the last two months of 1Q2016 (May and June 2015) as compared to February and March 2015. The debts are still within the normal credit period, the group do not foresee any significant issue in the recoverability of these debts.

As such, the combined bill and trade receivable turnover days had also increased from 69 days in FY2015 to 100 days in 1Q2016.

Other receivables had decreased by 30.6% as compared to 31 March 2015. The decrease in other receivables was mainly due to decrease in receivables from the provision of raw materials to sub-contractors for further processing of our automobile component products, from HK\$4.8 million as at 31 March 2015 to HK\$2.2 million as at 30 June 2015. After the delivery of the final products to our customers, these raw material receivables will generally be offset against the final subcontracting charges which will be inclusive of the cost of raw materials. The transaction is structured in such a manner for better control over raw material wastage incurred by the sub-contractors. The corresponding accrued subcontracting charges payable to these sub-contractors had also decreased from HK\$14.7 million as at 31 March 2015 to HK\$12.8 million as at 30 June 2015. The Group do not expect any significant credit risk arising from these receivables as the Group is generally in a net payable position to these sub-contractors after taking into consideration the sub-contracting costs payable to them. On the whole, the net payable position of the Group to these sub-contractors had increased from HK\$9.9 million as at 31 March 2015 to HK\$10.6 million as at 30 June 2015.

Current prepayments mainly comprised prepayments made to raw material suppliers and sub-contractors. The decrease was mainly due to:

- A decrease in deposit of HK\$7.5 million made for acquisition of electronic components for the trading activities from our IMD and plastic injection part segment following cancellation of contract by the vendor as stated above;  
Offset by
- Increase in prepayments of HK\$4.0 million made to the raw material suppliers and sub-contractors of our automobile components segment.



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.

Non-current and Current Liabilities

The trade and other payables of the Group as at 30 June 2015 had remained fairly constant as compared to the balance sheet as at 31 March 2015 while the trade payable turnover day had slightly increased from 93 days in FY2015 to 99 days in 1Q2016.

Other liabilities comprise mainly advances from customers, accruals of operating expenses and VAT and other tax payables. The decrease in other liabilities was mainly due to a HK\$0.7 million decrease in VAT and other tax payables.

Amount due to related parties relates to HK\$0.4 million advances given by a director and an HK\$0.6 million amount owing to Shenzhen Precision.

The increase in deferred government grants was due to government grants of HK\$0.8 million received from our IMD and plastic injection parts segment and will be recognised in the profit and loss account once the conditions attached have been fulfilled.

Cash flow

In 1Q2016, overall cash and cash equivalent decreased by HK\$0.7 million to HK\$26.7 million, mainly due to operating cash outflows of HK\$4.2 million, offset by net proceeds of HK\$3.3 million from issuance of new ordinary shares. The net operating cash outflow arises mainly from increase in trade and other receivables as above mentioned.

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 businesses service mainly China's automobile and consumer electronics market. With the Chinese economy remaining lacklustre in 2015, we expect business condition 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.

For our Automobile component segment and IMD and plastic injection parts segment, 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.

On 11 May 2015, the Company announced the entry into a non-binding Memorandum of Understanding ("MOU") with Mr. Yang Jincheng ("YJC") for strategic business cooperation and investment opportunity in the internet applications and internet related businesses. Please refer to the announcement on the same day for details. The non-binding MOU only sets out the cooperation intention of the Company and YJC and does not constitute substantive rights and obligations of the parties hereto. Negotiation is still ongoing and the Company will make further announcements on any material developments.

The Company has on 29 July 2015 submitted an application to The Singapore Exchange Securities Trading Limited (“SGX-ST”) for an extension of a further twelve months, to the time period for its removal from the SGX-ST watch-list. Please refer to the announcement on the same date for details.

The Company would like to remind all shareholders that there is no assurance that the SGX-ST will grant the abovementioned extension. As such, shareholders of the Company are advised to exercise caution when dealing in the shares of the Company and to refrain from taking any action in relation to their shares which may be prejudicial to their interests. Persons who are in doubt, as to the action they should take, should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers.

## 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/recommended, a statement to that effect.

No dividend has been declared or recommended.

## 13. Interested person transactions

Pursuant to Rule 920(1)(a)(ii) of the Listing Manual, the Company discloses the aggregate value of interested person transactions as follows:

Shenzhen Kunda Precision Mould Co., Ltd <sup>(1)</sup> (“Shenzhen Precision”)	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
Rental of factory premise at Bao Long Yi Road	190	-
<b>Total</b>	<b>190</b>	<b>-</b>

The lease of the Bao Long Industrial Park factory is based on independent market valuation. Under Rule 916 of the Listing Manual, the lease is not required to comply with Rule 906.

No interested person transaction mandate had been obtained from shareholders.

- (1) Shenzhen Kunda Precision Mould Co., Ltd – 深圳市群达行精密模具有限公司, a company incorporated in China. 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. Use of Proceeds from Placement of 57,800,000 Ordinary Shares

The Board of Directors of the Company refers to the placement (“Placement”) of 57,800,000 new ordinary shares in the capital of the Company at the issue price of S\$0.0106 which was completed on 11 May 2015 and the earlier announcements released on 31 March 2015 (“Announcement”).

The Company wishes to provide an update on the use of net proceeds raised from the share placement as at 30 June 2015.

In accordance with the use of proceeds described in the Announcement, the utilisation of the Net Proceeds is as tabulated below:

Intended use	Proceeds from the Placement (S\$'000) (A)	Share issuance expenses (S\$'000) (B)	Net Proceeds from the Placement (S\$'000) (C) = (A) – (B)	Amount utilised per current announcement (S\$'000) (D)	Cumulative amount utilised to-date (S\$'000) (E)	Balance amount (S\$'000) (C) – (D)
Expansion in the Group’s business, involving either investment in new businesses or widening the Group’s current business activities or product range.	613	52	561	-	-	561
Total	613	52	561	-	-	561

The Company will continue to provide periodic updates on the use of the Placement proceeds.

#### 15. Confirmation by the Board pursuant to Rule 705(4) 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 three months ended 30 June 2015 to be false or misleading in any material respect.

**On Behalf of the Board of Directors**

**Cai Kaoqun**  
Executive Chairman and CEO  
6 August 2015  
Singapore

**Yang Jinbiao**  
Executive Director and COO

**BY ORDER OF THE BOARD**  
**CAI KAOQUN**  
**EXECUTIVE CHAIRMAN AND CEO**  
6 August 2015