



CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

Company registration number: 200712727W

Unaudited Financial Statements for the Financial Period ended 30 June 2018

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.

	Note	Group (HK\$'000)		Change %
		30-Jun-18 ("1Q2019")	30-Jun-17 ("1Q2018") (Restated)	
<u>Consolidated Income Statement</u>				
<u>Continuing operations</u>				
Revenue		8,635	8,432	2.4
Cost of sales		(6,562)	(5,804)	13.1
Gross profit		2,073	2,628	(21.1)
Other items of income				
Interest income		202	5	n.m.
Other income	1	1,472	2	n.m.
Other items of expense				
Selling and distribution expenses		(382)	(367)	4.1
General and administrative expenses		(3,384)	(2,575)	31.4
Other charges	2	(78)	(545)	(85.7)
Loss before taxation	3	(97)	(852)	(88.6)
Loss from continuing operations, net of tax		(97)	(852)	(88.6)
<u>Discontinued operation</u>				
Loss from discontinued operation, net of tax	4	(392)	(1,309)	(70.1)
Loss for the period		(489)	(2,161)	(77.4)

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.

	Note	Group		Change %
		1Q2019 HK\$'000	1Q2018 HK\$'000 (Restated)	
Attributable to:				
Owners of the Company				
Loss from continuing operations, net of tax		(97)	(852)	(88.6)
Loss from discontinued operations, net of tax		(223)	(747)	(70.1)
Loss for the period attributable to owners of the Company		(320)	(1,599)	(80.0)
Non-controlling interests				
Loss from discontinued operations, net of tax		(169)	(562)	(69.9)
Loss for the period attributable to non-controlling interests		(169)	(562)	(69.9)
Loss for the period		(489)	(2,161)	(77.4)
Other comprehensive income:				
Items that may be subsequently reclassified to profit & loss:				
Foreign currency translation		(2,793)	584	n.m.
Items that may not be subsequently reclassified to profit & loss:				
Foreign currency translation		(3,519)	1,404	n.m.
Other comprehensive income for the period, net of tax		(6,312)	1,988	n.m.
Total comprehensive income for the period		(6,801)	(173)	n.m.
Attributable to:				
Owners of the Company				
		(5,133)	(292)	n.m.
Non-controlling interests		(1,668)	119	n.m.
Total comprehensive income for the period		(6,801)	(173)	n.m.
Attributable to:				
Owners of the Company				
Total comprehensive income from continuing operations, net of tax		(2,665)	46	n.m.
Total comprehensive income from discontinued operations, net of tax		(2,468)	(338)	n.m.
Total comprehensive income for the period attributable to owners of the Company		(5,133)	(292)	n.m.

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		Change %
	1Q2019 HK\$'000	1Q2018 HK\$'000 (Restated)	
Note 1 – Other income			
Sale of raw materials/ scrap materials	6	-	n.m.
Government grants related to income	1	2	(50.0)
Net foreign exchange gain	1,465	-	n.m.
	1,472	2	n.m.
Note 2 – Other charges			
Net foreign exchange loss	-	545	n.m.
Impairment loss on inventories	78	-	n.m.
	78	545	n.m.
Note 3 – Loss before taxation			
This is determined after charging the following:			
Depreciation of property, plant and equipment	304	215	41.4
Research and product testing expenses	719	263	173.4
Note 4 – Loss from discontinued operation, net of tax			
The financial results of discontinued operation are as follows:			
Revenue	-	16,775	(100.0)
Expenses	(346)	(18,170)	(98.1)
Loss from operation	(346)	(1,395)	(75.2)
Interest income	12	40	(70.0)
Reversal of impairment loss on inventories	-	46	(100.0)
Loss before tax from discontinued operation	(334)	(1,309)	(74.5)
Taxation	(58)	-	n.m.
Loss from discontinued operation, net of tax	(392)	(1,309)	(70.1)

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-Jun-18 HK\$'000	Group As at 31-Mar-18 (Restated) HK\$'000	Group As at 1-Apr-17 (Restated) HK\$'000	Company As at 30-Jun-18 HK\$'000	Company As at 31-Mar-18 HK\$'000
<u>Non-current assets</u>					
	-	-	-	46,301	48,739
	2,935	3,336	14,673	-	-
	-	-	890	-	-
	2,935	3,336	15,563	46,301	48,739
<u>Current assets</u>					
	7,649	8,055	26,789	-	-
1	37,207	54,082	41,308	-	-
2	20	72	3,479	19	72
	-	-	-	22,251	23,142
	72,646	64,041	43,092	250	308
	117,522	126,250	114,668	22,520	23,522
	120,457	129,586	130,231	68,821	72,261
<u>Current liabilities</u>					
	13,780	8,577	39,303	-	-
	13,646	14,880	16,482	1,934	1,980
	685	208	323	-	-
	190	200	181	-	-
	1,498	1,914	326	-	-
	29,799	25,779	56,615	1,934	1,980
	87,723	100,471	58,053	20,586	21,542
	29,799	25,779	56,615	1,934	1,980
	90,658	103,807	73,616	66,887	70,281
<u>Equity attributable to owners of the Company</u>					
	148,309	148,309	148,309	148,309	148,309
	(30,279)	(29,981)	(38,875)	(93,877)	(94,002)
	(74,397)	(74,397)	(74,397)	-	-
	1,537	1,559	423	-	-
	18,780	23,593	15,194	12,455	15,974
	63,950	69,083	50,654	66,887	70,281
	26,708	34,724	22,962	-	-
	90,658	103,807	73,616	66,887	70,281
	120,457	129,586	130,231	68,821	72,261

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-Jun-18 HK\$'000	Group As at 31-Mar-18 (Restated) HK\$'000
Note 1 – Inventories		
Raw materials	953	1,463
Work in progress	5,668	6,024
Finished goods	1,028	568
	7,649	8,055

Note 2 – Trade and other receivables

Trade receivables	8,571	14,539
Bill receivables	3,118	12,673
Other receivables	25,518	26,870
	37,207	54,082

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 June 2018		As at 31 March 2018 (Restated)	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

(In HK\$'000)

As at 30 June 2018		As at 31 March 2018 (Restated)	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The Group did not have any bank borrowings or debt securities as at 30 June 2018 and 31 March 2018.

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)	
		1Q2019	1Q2018 (Restated)
Operating activities	Notes		
Loss before tax from continuing operations		(97)	(852)
Loss before tax from discontinued operation		(334)	(1,309)
Loss before tax, total		<u>(431)</u>	<u>(2,161)</u>
Adjustments for:			
Depreciation of property, plant and equipment	A	304	771
Impairment loss/(Reversal of impairment loss) on inventories	B	78	(46)
Interest income	C	(214)	(45)
Unrealised foreign exchange (gain)/loss		(1,465)	545
Operating cash flows before working capital changes		<u>(1,728)</u>	<u>(936)</u>
Decrease/(increase) in:			
Trade and other receivables		14,708	8,236
Inventories		(75)	1,633
Prepayments		50	915
Amount due from related parties, net		506	204
(Decrease) in:			
Trade and other payables		(502)	(5,314)
Other liabilities		(508)	(1,424)
Cash flows generated from operations		<u>12,451</u>	<u>3,314</u>
Interest received		214	45
Income tax paid		(279)	(314)
Net cash flows generated from operating activities		<u>12,386</u>	<u>3,045</u>
Investing activities			
Purchase of property, plant and equipment	D	(32)	(1,030)
Net cash flows used in investing activities		<u>(32)</u>	<u>(1,030)</u>
Net increase in cash and cash equivalents		12,354	2,015
Effect of exchange rate changes on cash and cash equivalents		(3,749)	1,151
Cash and cash equivalents at beginning of financial period		<u>64,041</u>	<u>43,092</u>
Cash and cash equivalents at end of financial period		<u>72,646</u>	<u>46,258</u>

- 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)	
	1Q2019	1Q2018 (Restated)
Note A:		
Depreciation of property, plant and equipment:		
Depreciation of property, plant and equipment from continuing operations	304	215
Depreciation of property, plant and equipment from discontinued operation	-	556
Total depreciation of property, plant and equipment	304	771
Note B:		
Impairment loss/(reversal of impairment loss) on inventories:		
Impairment loss on inventories from continuing operations	78	-
Reversal of impairment loss on inventories from discontinued operation	-	(46)
Total impairment loss/(reversal of impairment loss) on inventories	78	(46)
Note C:		
Interest income:		
Interest income from continuing operations	202	5
Interest income from discontinued operation	12	40
Total interest income	214	45
Note D:		
Cash outflow on purchase of property, plant and equipment:		
Aggregate cost of property, plant and equipment acquired	32	1,653
Add: Payment for prior years acquisitions	-	49
Less: Outstanding payments	-	(113)
Less: Movement of prepayments made	-	(559)
Cash payments made to acquire property, plant and equipment	32	1,030

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				Foreign currency translation reserve			Non-controlling interests
	Equity, total HK\$'000	Company, total HK\$'000	Share capital HK\$'000	Accumulated losses HK\$'000	Restructuring reserve HK\$'000	Statutory reserve HK\$'000	Foreign currency translation reserve HK\$'000	Non-controlling interests HK\$'000
Group								
1Q2019								
Opening balance at 1 April 2018, as previously stated	104,388	69,664	148,309	(29,442)	(74,397)	1,559	23,635	34,724
Effects of adopting SFRS(I) 15	(581)	(581)	-	(539)	-	-	(42)	-
Opening balance at 1 April 2018, restated	103,807	69,083	148,309	(29,981)	(74,397)	1,559	23,593	34,724
Loss for the period	(489)	(320)	-	(320)	-	-	-	(169)
Other comprehensive income for the period, net of tax	(6,312)	(4,813)	-	-	-	-	(4,813)	(1,499)
Total comprehensive income for the period	(6,801)	(5,133)	-	(320)	-	-	(4,813)	(1,668)
Others								
Dividends paid to non-controlling interests	(6,348)	-	-	-	-	-	-	(6,348)
Appropriation to reserve	-	-	-	22	-	(22)	-	-
Total others	(6,348)	-	-	22	-	(22)	-	(6,348)
Closing balance at 30 June 2018	90,658	63,950	148,309	(30,279)	(74,397)	1,537	18,780	26,708

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	
Group								
1Q2018								
Opening balance at 1 April 2017, as previously stated	74,064	51,102	148,309	(38,417)	(74,397)	423	15,184	22,962
Effects of adopting SFRS(I) 15	(448)	(448)	-	(458)	-	-	10	-
Opening balance at 1 April 2017, restated	73,616	50,654	148,309	(38,875)	(74,397)	423	15,194	22,962
Loss for the period	(2,161)	(1,599)	-	(1,599)	-	-	-	(562)
Other comprehensive income for the period, net of tax	1,988	1,307	-	-	-	-	1,307	681
Total comprehensive income for the period	(173)	(292)	-	(1,599)	-	-	1,307	119
<u>Others</u>								
Appropriation to reserve	-	-	-	78	-	(78)	-	-
Total others	-	-	-	78	-	(78)	-	-
Closing balance at 30 June 2017	73,443	50,362	148,309	(40,396)	(74,397)	345	16,501	23,081

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.

	<u>Attributable to owners of the Company</u>			
	Equity, total HK\$'000	Share capital HK\$'000	Accumulated losses HK\$'000	Foreign currency translation reserve HK\$'000
Company				
1Q2019				
Opening balance at 1 April 2018	70,281	148,309	(94,002)	15,974
Profit for the period	125	-	125	-
Other comprehensive income for the period, net of tax	(3,519)	-	-	(3,519)
Total comprehensive income for the period	(3,394)	-	125	(3,519)
Closing balance at 30 June 2018	66,887	148,309	(93,877)	12,455
Company				
1Q2018				
Opening balance at 1 April 2017	68,936	148,309	(88,370)	8,997
Loss for the period	(896)	-	(896)	-
Other comprehensive income for the period, net of tax	1,404	-	-	1,404
Total comprehensive income for the period	508	-	(896)	1,404
Closing balance at 30 June 2017	69,444	148,309	(89,266)	10,401

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 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 June 2018 and 31 March 2018	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 June 2018 and 31 March 2018
Total number of issued shares excluding treasury shares	409,800,000

The Company did not have any treasury shares as at 30 June 2018 and 31 March 2018.

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.

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 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 2018, except for those disclosed in paragraph 5 below.

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.

The Group has adopted Singapore Financial Reporting Standards (International) (“SFRS(I)”) and all the new and revised standards that are effective for current period beginning on or after 1 April 2018. The adoption of the new and revised standards does not have any significant impact on the financial statement except for SFRS(I) 15. The relevant impact of adopting SFRS(I) 15 is as follows:

SFRS(I) 15 – Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 using the full retrospective approach and applied all practical expedients available. With the application for SFRS(I) 15 on the financials as at 1 April 2018, the following accounts have been restated:

Balance sheet	Group	
	As at 31 March 2018 (as restated)	As at 31 March 2018 (as previously stated)
	HK\$'000	HK\$'000
<u>Current assets</u>		
Inventories	8,055	3,127
<u>Current liabilities</u>		
Other liabilities	14,880	9,371
<u>Equity</u>		
Accumulated losses	29,981	29,442
Foreign currency translation reserve	23,593	23,635

Consolidated income statement	Group	
	1Q2018 (as restated)	1Q2018 (as previously stated)
	HK\$'000	HK\$'000
Revenue	8,432	8,452
Cost of sales	5,804	5,818

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	
		1Q2019	1Q2018 (Restated)
Loss for the period attributable to owners of the Group, after deducting any provision for preference dividends and non-controlling interests	HK\$'000	(320)	(1,599)
Basic loss per share	HK cents	(0.08)	(0.39)

Basic loss per share for the 1Q2019 are calculated based on weighted average number of shares issued of 409,800,000 (1Q2018: 409,800,000).

The fully diluted loss per share is not presented as there were no potential dilutive securities as at 30 June 2018 and 30 June 2017.

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 2018	31 Mar 2018 (Restated)	31 Jun 2018	31 Mar 2018
	HK cents	HK cents	HK cents	HK cents
Net assets per ordinary share after deducting non-controlling interests, based on 409.8 million shares as at 30 June 2018 (31 March 2018: 409.8 million shares)	15.61	16.86	16.32	17.15

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

Continuing operations

Revenue and Gross Profit

Revenue slightly increased by 2.4% in 1Q2019 as compared to 1Q2018, mainly due to increase in sales of IMD and plastic injection parts used for consumer electronics in 1Q2019. However, due to unfavourable sales mix and higher set-up costs incurred for certain new products, the gross margin decreased from 31.2% in 1Q2018 to 24.0% in 1Q2019.

Other items of income

The increase in interest income was mainly due to the higher cash balances and fixed deposits placed with the banks in PRC.

The increase in other income in 1Q2019 was mainly due to the foreign exchange gains arising mainly from the translation of Renminbi (“RMB”) denominated payable balances to Hong Kong Dollars (“HKD”). This was largely attributable to the translation of inter-company owings between the Group's subsidiaries which utilises different functional currencies (i.e. RMB and HKD). In 1Q2019, HKD appreciated by approximately 5.0% against RMB as compared to a depreciation of 2.1% in 1Q2018 which resulted in a foreign exchange loss (recorded under “Other Charges” in the consolidated income statement).

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 increased by 4.1% in 1Q2019 as compared to 1Q2018, in tandem with revenue growth.

General and administrative expenses increased by 31.4% in 1Q2019 as compared to 1Q2018, mainly due to:

- i) Increase in research and product testing expenses, mainly arising from the development of new products as well as research activities of potential new business;
- ii) Increase in employee benefit expenses, mainly arising from employee salary increments since 1 July 2017; and
- iii) Increase in other administrative expenses as a result of the increased business volume.

The increase in depreciation of plant and equipment was mainly arising from the newly acquired property, plant and equipment since 1 July 2017.

The decrease in other charges was mainly due to the absence of foreign exchange loss in 1Q2018 from the Group's intercompany balances.

Arising from the above, the Group recorded a net loss of HK\$0.1 million from its continuing operations in 1Q2019 as compared to HK\$0.9 million in 1Q2018.

Discontinued operation

Following the completion of the closure of automobile component production facilities in Beijing, no revenue was generated and expenses decreased by 98.1%. The expenses incurred in 1Q2019 mainly pertain to employee benefits expenses and other administrative expenses for collection of outstanding debts and other necessary administrative works such as book-keeping, annual audit, tax filing etc. Income tax expense recorded in 1Q2019 relates to under provision made in the previous financial year. In view of the foregoing, loss from discontinued operation had decreased from HK\$1.3 million in 1Q2018 to HK\$0.4 million in 1Q2019.

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 Group's financials. HKD appreciated by approximately 5.0% against RMB in 1Q2019 as compared to an depreciation of 2.1% in 1Q2018.

Balance sheet

Non-current assets

The decrease in property, plant and equipment was mainly due to depreciation charges and foreign translation loss during the financial period reported on.

Current assets

Inventories as at 30 June 2018 decreased by 5.0% as compared to 31 March 2018 mainly due to the decrease in IMD moulds under construction and raw materials purchased for the production of IMD products.

Trade and other receivables of our Group as at 30 June 2018 decreased by 31.2% as compared to 31 March 2018 mainly due to repayment by customers from both continuing and discontinued operations during the financial period reported on.

The decrease in prepayment as at 30 June 2018 as compared to 31 March 2018 was mainly due to prepaid operating expenses realised and amortised in the income statement during the financial period reported on.

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 increased by 60.7% as at 30 June 2018 as compared to 31 March 2018, mainly due to dividend of HK\$6.1 million payable to non-controlling interests of a subsidiary. For better control and efficient use of excess cash holding in the subsidiary, the dividend was declared out of the distributable retained earnings of the subsidiary in June 2018 and had been paid in full in July 2018. The Group had also received dividends of HK\$8.1 million based on its equity interest in the subsidiary from the dividend payment.

Other liabilities as at 30 June 2018 decreased by 8.3% as compared to 31 March 2018, mainly due to decrease in accrued operating expenses following 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 and interest-free advances given by 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\$12.4 million in 1Q2019, mainly attributed to the net cash inflow generated from the operating activities.

The net cash inflow generated from operating activities was mainly due to working capital inflow of HK\$14.2 million and interest received of HK\$0.2 million, partially offset by operating cash outflow before movements in working capital of HK\$1.7 million and income tax payment of HK\$0.3 million.

The Group utilised HK\$32,000 in 1Q2019 in investing activities mainly relating to acquisition of property, plant and equipment.

There was no cash utilised or generated from financing activities.

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 consumer electronics market in PRC and dependent on the strength of the PRC economic conditions. While we expect business conditions to remain challenging and may continue to incur losses, we do not expect revenue of our IMD and Plastic Injection business segment to pick up pace going forward. We will continue to improve the existing operations through higher productivity in our core business strength and strengthen collaboration with our existing business partners. In addition, we seek out other new products range and sales channels that has stronger scalability and sustainability.

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 Company's proposed diversification to diversify its existing core business to include the manufacturing and distribution of furniture and other related activities has been approved by the shareholders at the extraordinary general meeting of the Company held on the date of this announcement. The Company would provide updates as and when appropriate.

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 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.

Name of Interested Person	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 premises at Bao Long Yi Road, Shenzhen	266	-
Total	266	-

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 Director, 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 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 financial period ended 30 June 2018 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
26 July 2018