



CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

Company registration number: 200712727W

Unaudited Financial Statements for the Financial Year ended 31 March 2020

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 %
		31-Mar-20 ("FY2020")	31-Mar-19 ("FY2019")	
<u>Consolidated Income Statement</u>				
<u>Continuing operations</u>				
Revenue		41,822	39,672	5.4
Cost of sales		(30,433)	(29,650)	2.6
Gross profit		11,389	10,022	13.6
Other items of income				
Interest income		632	578	9.3
Other income	1	998	2,562	(61.0)
Other items of expense				
Selling and distribution expenses		(2,143)	(2,571)	(16.6)
General and administrative expenses		(17,529)	(14,946)	17.3
Other expenses	2	(39)	(408)	(90.4)
Loss before taxation	3	(6,692)	(4,763)	40.5
Loss from continuing operations, net of tax		(6,692)	(4,763)	40.5
<u>Discontinued operation</u>				
Profit from discontinued operation, net of tax		-	1,034	n.m.
Loss for the year		(6,692)	(3,729)	79.5
Attributable to:				
Owners of the Company				
Loss from continuing operations, net of tax		(6,692)	(4,763)	40.5
Profit from discontinued operations, net of tax		-	590	n.m.
Loss for the year attributable to owners of the Company		(6,692)	(4,173)	60.4
Non-controlling interests				
Profit from discontinued operations, net of tax		-	444	n.m.
Profit for the year attributable to non-controlling interests		-	444	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 %
	FY2020 HK\$'000	FY2019 HK\$'000	
Loss for the year	(6,692)	(3,729)	79.5
Other comprehensive income:			
Items that may be subsequently reclassified to profit & loss:			
Foreign currency translation	(2,679)	(3,980)	(32.7)
Items that may not be subsequently reclassified to profit & loss:			
Foreign currency translation	(957)	(4,390)	(78.2)
Other comprehensive income for the year, net of tax	(3,636)	(8,370)	(56.6)
Total comprehensive income for the year	(10,328)	(12,099)	(14.6)
Attributable to:			
Owners of the Company	(10,328)	(10,246)	0.8
Non-controlling interests	-	(1,853)	n.m.
Total comprehensive income for the year	(10,328)	(12,099)	(14.6)
Attributable to:			
Owners of the Company			
Total comprehensive income from continuing operations, net of tax	(10,328)	(7,458)	38.5
Total comprehensive income from discontinued operations, net of tax	-	(2,788)	n.m.
Total comprehensive income for the year attributable to owners of the Company	(10,328)	(10,246)	0.8
Note 1 – Other income			
Sale of raw materials/ scrap materials	407	120	239.2
Gain on disposal of property, plant and equipment	-	44	n.m.
Government grants related to income	270	60	350.0
Net foreign exchange gain	126	1,639	(92.3)
Cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity on loss of control of the subsidiary	-	699	n.m.
Reversal of impairment loss on inventories	195	-	n.m.
	998	2,562	(61.0)
Note 2 – Other expenses			
Impairment loss on doubtful trade and other receivables	39	110	(64.5)
Impairment loss on inventories	-	286	n.m.
Others	-	12	n.m.
	39	408	(90.4)
Note 3 – Loss before taxation			
This is determined after charging the following:			
Depreciation of property, plant and equipment	1,950	1,377	41.6
Research and product testing expenses	2,673	2,412	10.8

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 31-Mar-20 HK\$'000	Group As at 31-Mar-19 HK\$'000	Company As at 31-Mar-20 HK\$'000	Company As at 31-Mar-19 HK\$'000
<u>Non-current assets</u>				
	-	-	42,735	45,696
Investment in subsidiaries				
Property, plant and equipment	5,050	5,793	-	-
Intangible assets	79	-	-	-
Total non-current assets	5,129	5,793	42,735	45,696
<u>Current assets</u>				
Inventories	6,252	2,879	-	-
Trade and other receivables	9,231	10,481	-	-
Prepayments	7,673	1,088	67	70
Amount due from related parties	-	128	12,310	15,949
Cash and short-term deposits	32,596	51,194	722	1,398
Total current assets	55,752	65,770	13,099	17,417
Total Assets	60,881	71,563	55,834	63,113
<u>Current liabilities</u>				
Trade and other payables	4,515	5,214	304	-
Other liabilities	7,502	7,128	1,619	1,928
Amount due to related parties	427	266	-	-
Deferred government grants	-	187	-	-
Provision for taxation	46	49	-	-
Total current liabilities	12,490	12,844	1,923	1,928
Net current assets	43,262	52,926	11,176	15,489
Total liabilities	12,490	12,844	1,923	1,928
Net assets	48,391	58,719	53,911	61,185
<u>Equity attributable to owners of the Company</u>				
Share capital	148,309	148,309	148,309	148,309
Accumulated losses	(38,748)	(32,056)	(102,102)	(98,708)
Restructuring reserve	(74,397)	(74,397)	-	-
Foreign currency translation reserve	13,227	16,863	7,704	11,584
Total equity	48,391	58,719	53,911	61,185
Total equity and liabilities	60,881	71,563	55,834	63,113

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 31-Mar-20 HK\$'000	Group As at 31-Mar-19 HK\$'000
Note 1 – Inventories		
Raw materials	1,141	1,202
Work in progress	4,303	1,035
Finished goods	808	642
	6,252	2,879
Note 2 – Trade and other receivables		
Trade receivables	8,768	9,512
Bill receivables	0	596
Other receivables	463	373
	9,231	10,481
Note 3 – Cash and short-term deposits		
Cash at banks and on hands	5,246	33,647
Short-term deposit with terms less than three months	-	17,547
Total cash and cash equivalents in the consolidated cash flow statement	5,246	51,194
Short-term deposit with terms more than three months	27,350	-
	32,596	51,194

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 31 March 2020		As at 31 March 2019	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

(In HK\$'000)

As at 31 March 2020		As at 31 March 2019	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The Group did not have any bank borrowings or debt securities as at 31 March 2020 and 31 March 2019.

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	FY2020	FY2019	
Operating activities			
	(6,692)	(4,763)	
	-	(394)	
	<u>(6,692)</u>	<u>(5,157)</u>	
Adjustments for:			
	1,950	1,377	
	16	-	
	(195)	-	
	-	286	
	39	110	
	-	(44)	
	(180)	-	
	(632)	(590)	A
	<u>(126)</u>	<u>(2,338)</u>	
	(5,820)	(6,356)	
Decrease/(Increase) in:			
	547	12,387	
	(3,456)	(233)	
	(6,827)	(1,020)	
(Decrease)/Increase in:			
	(370)	(2,791)	
	857	(133)	
	311	(57)	
	<u>(14,758)</u>	<u>1,797</u>	
	632	590	
	-	(390)	
	<u>(14,126)</u>	<u>1,997</u>	
Investing activities			
	(1,573)	(4,005)	B
	(98)	-	
	-	44	
	(27,350)	-	
	-	(773)	
	<u>(29,021)</u>	<u>(4,734)</u>	
Financing activities			
	-	(6,348)	
	<u>-</u>	<u>(6,348)</u>	
	(43,147)	(9,085)	
	(2,801)	(3,762)	
	51,194	64,041	
	<u>5,246</u>	<u>51,194</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)	
FY2020	FY2019

Note A:

Interest income:

Interest income from continuing operations	632	578
Interest income from discontinued operation	-	12
Total interest income	<u>632</u>	<u>590</u>

Note B:

Cash outflow on purchase of property, plant and equipment:

Aggregate cost of property, plant and equipment acquired	1,573	4,005
Cash payments made to acquire property, plant and equipment	<u>1,573</u>	<u>4,005</u>

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

	Attributable to owners of the Company					Foreign currency translation reserve
	Equity, total	Equity attributable to owners of the Company, total	Share capital	Accumulated losses	Restructuring reserve	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group						
FY2020						
Opening balance at 1 April 2019	58,719	58,719	148,309	(32,056)	(74,397)	16,863
Loss for the year	(6,692)	(6,692)	-	(6,692)	-	-
Other comprehensive income for the year, net of tax	(3,636)	(3,636)	-	-	-	(3,636)
Total comprehensive income for the year	(10,328)	(10,328)	-	(6,692)	-	(3,636)
Closing balance at 31 March 2020	48,391	48,391	148,309	(38,748)	(74,397)	13,227

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	Share capital	Accumulated losses	Restructuring reserve	Statutory reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group								
FY2019								
Opening balance at 1 April 2018	104,388	69,664	148,309	(29,442)	(74,397)	1,559	23,635	34,724
(Loss)/Profit for the year	(3,729)	(4,173)	-	(4,173)	-	-	-	444
Other comprehensive income for the year, net of tax	(8,370)	(6,073)	-	-	-	-	(6,073)	(2,297)
Total comprehensive income for the year	(12,099)	(10,246)	-	(4,173)	-	-	(6,073)	(1,853)
<u>Others</u>								
Dividends distributed to non-controlling interests	(6,348)	-	-	-	-	-	-	(6,348)
Appropriation to reserve	-	-	-	(58)	-	58	-	-
Disposal of subsidiaries	(27,222)	(699)	-	1,617	-	(1,617)	(699)	(26,523)
Total others	(33,570)	(699)	-	1,559	-	(1,559)	(699)	(32,871)
Closing balance at 31 March 2019	58,719	58,719	148,309	(32,056)	(74,397)	-	16,863	-

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				
FY2020				
Opening balance at 1 April 2019	61,185	148,309	(98,708)	11,584
Loss for the year	(3,394)	-	(3,394)	-
Other comprehensive income for the year, net of tax	(3,880)	-	-	(3,880)
Total comprehensive income for the year	(7,274)	-	(3,394)	(3,880)
Closing balance at 31 March 2020	53,911	148,309	(102,102)	7,704
Company				
FY2019				
Opening balance at 1 April 2018	70,281	148,309	(94,002)	15,974
Loss for the year	(4,706)	-	(4,706)	-
Other comprehensive income for the year, net of tax	(4,390)	-	-	(4,390)
Total comprehensive income for the year	(9,096)	-	(4,706)	(4,390)
Closing balance at 31 March 2019	61,185	148,309	(98,708)	11,584

- 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 31 March 2020 and 31 December 2019	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 31 March 2020 and 31 March 2019
Total number of issued shares excluding treasury shares	409,800,000

The Company did not have any treasury shares as at 31 March 2020 and 31 March 2019.

- 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 year as compared with the most recently audited annual financial statements for the financial year ended 31 March 2019, 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 2019. 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	
		FY2020	FY2019
Loss for the year attributable to owners of the Group, after deducting any provision for preference dividends and non-controlling interests	HK\$'000	(6,692)	(4,173)
Basic loss per share	HK cents	(1.63)	(1.02)

Basic loss per share for FY2020 are calculated based on weighted average number of shares in issue of 409,800,000 (FY2019: 409,800,000). The diluted loss per share is not presented as there were no potential dilutive securities as at 31 March 2020 and 31 March 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	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
Net assets per ordinary share after deducting non-controlling interests, based on 409.8 million shares as at 31 March 2020 (31 March 2019: 409.8 million shares)	HK cents	HK cents	HK cents	HK cents
	11.81	14.33	13.16	14.93

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

Financial year (HK\$'000)	IMD Business	Furniture Business	Total
FY2020 Revenue	38,522	3,300	41,822
FY2019 Revenue	37,316	2,356	39,672
% change	3.2	40.1	5.4
FY2020 Sales mix	92.1%	7.9%	100.0%
FY2019 Sales mix	94.1%	5.9%	100.0%
FY2020 Gross profit	10,984	405	11,389
FY2019 Gross profit	9,811	211	10,022
% change	12.0	91.9	13.6
FY2020 Gross profit margin	28.5%	12.3%	27.2%
FY2019 Gross profit margin	26.3%	9.0%	25.3%
Percentage point difference	2.2	3.3	1.9

As tabulated above, our Group's revenue increased by 5.4% in FY2020 as compared to FY2019, mainly due to increase in sales from our In-Mould Decoration ("IMD") and the Plastic Injection Parts Business (collectively, the "IMD Business") and Furniture Business. With the increase in revenue, overall gross profit increased by 13.6% in FY2020 as compared to FY2019, mainly arising from higher gross profit contributed from our IMD Business.

IMD Business

IMD revenue increased by 3.2% in FY2020 as compared to FY2019, mainly attributed to the Group's effort to secure new customers and additional contracts from the existing customers, such as sales of IMD and plastic injection parts to the customers in consumer electronics, electrical appliances and medical devices industries. In view of the improved capacity utilisation rate and tighter cost control, the gross margin improved from 26.3% in FY2019 to 28.5% in FY2020.

Furniture Business

In the third quarter of the financial year ended 31 March 2019 ("3Q2019"), the Group commenced the manufacture and distribution of furniture, appliances and other related activities ("Furniture Business"). In FY2020, the Group recorded a 40.1% growth from its Furniture Business revenue as a result of increase in sales of kitchen cabinets and kitchen appliances. With the increase in revenue and higher margins from the sales of customized cabinetry products, the gross margin improved from 9.0% in FY2019 to 12.3% in FY2020.

Other items of income

Interest income increased by 9.3% in FY2020, mainly attributed to increase in fixed deposit interest rate as compared to FY2019.

The decrease in other income in FY2020 as compared to FY2019 was mainly due to:

- decrease in unrealised foreign exchange gain of HK\$1.5 million that arose from the translation of inter-company owings between the Group's subsidiaries ("Inter-company Balances"). Following the change of nature of business of a subsidiary and consequently which resulted in a change in its functional currency in the first quarter of the financial year ending 31 March 2020 ("1Q2020"), Inter-company Balances are denominated in the same functional currency and hence no foreign exchange differences arose from Inter-company Balances was recorded in FY2020; and
- absence of cumulative exchange translation gain realised from the disposal of automobile component business in Beijing in the second quarter of the financial year ended 31 March 2019 ("2Q2019");

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

The decrease in the above other income was partially offset by:

- increase in sale of raw materials and scrap materials from our IMD Business;
- increase in government grants related to a non-recurring deferred government subsidy of HK\$0.2 million recorded as an income in FY2020 following the fulfilment of the grant conditions; and
- a reversal of impairment loss on inventories of HK\$0.2 million upon utilisation and disposal of slow-moving IMD inventories which was not incurred in FY2019.

Other items of expense

Despite the revenue growth, selling and distribution expenses decreased by 16.6% in FY2020 as compared to FY2019, mainly due to decrease in advertising expenses and other start-up marketing expenses incurred for our Furniture Business which commenced operations in 3Q2019.

General and administrative expenses increased by 17.3% in FY2020 as compared to FY2019, mainly due to:

- increase in employee benefit expenses, rental expenses, amortisation of renovation costs and other administrative expenses by HK\$2.2 million incurred by the Furniture Business which commenced operations in 3Q2019; and
- increase in research and product testing expenses of HK\$0.3 million for the Group's IMD business and Furniture business, mainly arising from the development of new products as well as research activities for potential investment opportunities.

Depreciation of plant and equipment increased mainly arose from the amortisation of renovation works for our Furniture Business which completed at the end of 3Q2019 and the newly acquired plant and equipment for our IMD business and our Furniture Business since 1 April 2019.

In FY2020, the Group recorded an impairment loss on trade and other receivables of HK\$39,000 for the Group's IMD business, that arose from an increased uncertainty of the collectability, as compared to impairment losses of HK\$0.4 million on inventories and doubtful trade receivables in FY2019.

Arising from the above, the Group recorded a net loss from its continuing operations of HK\$6.7 million in FY2020 as compared to HK\$4.8 million in FY2019.

Discontinued operation

Following the completion of the disposal of automobile component business in Beijing in 2Q2019, no revenue and expense in relation to the automobile component business was recorded in FY2020.

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 Renminbi ("RMB") to Hong Kong dollars ("HKD") when consolidating the Group's financials. HKD appreciated against RMB by approximately 6.5% in FY2020 as compared to 6.2% in FY2019.

Balance sheet

Non-current assets

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

- Depreciation charges of HK\$2.0 million recorded in FY2020; and
- Foreign currency translation loss of HK\$0.4 million; offset by
- Addition of HK\$1.6 million mainly relating to acquisition of plant and equipment by both business segments.

As at 31 March 2020, intangible assets comprised computer software from our Furniture Business.

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

In view of thermometer shortage in global market amidst novel Coronavirus Disease 2019 (“COVID-19”) pandemic outbreak, one of the Group's wholly owned subsidiaries, Kunda Plastic Electronics Co. Ltd. (“KPE”) started outsourcing the production of a homecare electronic product i.e. non-contact infrared thermometers (“Thermometers”) in March 2020.

In preparation of Thermometer sales for subsequent quarters, inventories increased from HK\$2.9 million as at 31 March 2019 to HK\$6.3 million as at 31 March 2020, mainly due to increase in work-in-progress which mainly comprised infrared probes, Printed Circuit Board (“PCB”) modules, display screens, moulds and other accessories and materials used for the production of Thermometers.

Trade and other receivables of our Group as at 31 March 2020 decreased by 11.9% as compared to 31 March 2019, mainly due to decrease in combined trade and bill receivable from our IMD Business and Furniture Business, in tandem with the decline in revenue in the fourth quarter of financial year ended 31 March 2020 (“4Q2020”).

Prepayments increased from HK\$1.1 million as at 31 March 2019 to HK\$7.7 million as at 31 March 2020, was mainly due to:

- A HK\$3.6 million deposit made in March 2020 for procurement of infrared probes, PCB modules, display screens and other components for the production of Thermometers; and
- A HK\$3.1 million prepayment made in March 2020 for the sub-contracting charges of Thermometers as abovementioned.

Amount due from related parties at the Company level relates to receivables from subsidiaries within the Group. Amount due from related parties at the Group level as at 31 March 2019 mainly relates to the factory rental of our Furniture Business paid in advanced to Shenzhen Kunda Precision Mould Co., Ltd, which had been realised in the income statement in 1Q2020.

Current liabilities

Trade and other payables of our Group as at 31 March 2020 decreased by 13.4% as compared to 31 March 2019, mainly due to decrease in trade and other payables from our IMD Business, in tandem with the decline of sales and production volume in 4Q2020.

Other liabilities as at 31 March 2020 increased by 5.2% as compared to 31 March 2019, mainly due to:

- An HK\$0.7 million increase in customer advance from our IMD business as a result of upfront payment received for the sales of Thermometers;
Offset by
- Decrease in value added tax and other tax payables and accrued operating expenses of HK\$0.3 million, in tandem with sales and production volume declined from both IMD business and Furniture Business in 4Q2020.

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.

In FY2020, the deferred government grant was recorded as an income in the income statement following the fulfilment of the grant conditions.

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.**

Cash flow

In FY2020, the Group's cash and cash equivalents decreased by HK\$43.1 million.

In FY2020, net cash flow used in operating activities was mainly due to working capital outflow of HK\$8.9 million and operating cash outflows before working capital changes of HK\$5.8 million, partially offset by interest received of HK\$0.6 million. The working capital outflow in FY2020 mainly arose from increase in prepayments of HK\$6.8 million, increase in inventories of HK\$3.5 million and decrease in trade and other payables of HK\$0.4 million, partially offset by increase in other liabilities of HK\$0.9 million, decrease in trade and other receivables of HK\$0.5 million and increase in amount due to related parties of HK\$0.3 million. The increase in overall working capital was mainly attributed to increase in inventories and prepayments for the production of Thermometers which commenced in March 2020.

The Group also utilised HK\$29.0 million in FY2020 in investing activities mainly relating to placement of a 6-month fixed deposit of HK\$27.4 million with the bank in People Republic of China and acquisition of plant and equipment of HK\$ 1.6 million for both business segments.

There was no cash utilised or generated from financing activities in FY2020.

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 period ended 31 December 2019, dated 13 February 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.

Since January 2020, the outbreak of the COVID-19 pandemic has adversely impacted the Group's IMD Business and Furniture Business in 4Q2020 due to prolonged factory closure from January 2020 to February 2020. The Group's revenue decreased from HK\$10.6 million in the third quarter of financial year ended 31 March 2020 ("3Q2020") to HK\$6.0 million in 4Q2020 and hence the Group's net loss increased from HK\$1.6 million in 3Q2020 to HK\$3.0 million in 4Q2020. As at 31 March 2020, the Group's net working capital was HK\$43.3 million, of which the cash and short-term deposits was HK\$32.6 million. As such, the Group believes that there are no significant threats to the Group's liquidity as well as ability to operate on going concern basis. Barring unforeseen circumstances, the Group does not expect any material impairments to its assets as of to date.

Following a series of precautionary and control measures have been implementing as directed by the relevant authorities in PRC, the Group, as well as its major customers and suppliers, had complied with COVID-19 restrictions and resumed full operations in March 2020. As of to-date, none of our employees have been infected by the COVID-19.

Barring unforeseen circumstances, the Group expects that the revenue of our IMD business and Furniture business will slowly ramp up over the next financial year. In view of the foregoing, the Group expects the operating conditions of our IMD business and Furniture business to remain challenging and volatile in the current business environment and the Group is likely to continue incurring losses in the short-run.

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.

Since March 2020, the Group has been collaborating with its strategic business partners to produce Thermometers and the Group believes that the global demand of Thermometers would be increasing in the short term, especially in the many countries that are being hit by the pandemic outbreak, and this business opportunity allows the Group to improve its current order book status and to help alleviate shortages of Thermometers in the global markets to tackle the growing COVID-19 pandemic outbreak. We have recorded Thermometer sales revenue in the subsequent quarter and will cautiously manage our revenue and expenses as well as look out for other strategic opportunities during COVID-19 and beyond.

As at the date of this announcement, the manufacture of thermometers are currently outsourced, and there is no change in risk profile of the group. Notwithstanding the current small scale production, the Group is currently assessing the proposed diversification of its core business to include the business of medical device and other related products, as and when the appropriate opportunities arise. The Company would provide updates as and when appropriate.

We will 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 also hope 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 are expected improve 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	2,289 ⁽²⁾	-
Total	2,289	-

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 RMB2,040,000 was translated at the average exchange rate of RMB1.00:HK\$1.1222 for the financial year ended from 1 April 2019 to 31 March 2020.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Business segments

For management purposes, the Group is organised into business units based on their products and service. In FY2020 and FY2019, the Group has two reportable operating segments as follows:-

- 1) In-Mould Decoration and Plastic Injection Parts (“**IMD and Plastic Injection Parts**”)
The IMD and Plastic Injection Parts segment provides specialised plastic injection parts and technical services used mainly in the production of electrical appliances and electronic devices.

In-Mould Decoration is the simultaneous injection moulding of a product with a formable plastic film. The formed film is inserted into the mould and then injected with the molten plastic resin to surround it, forming a finished integral part.

- 2) Furniture Business
The Furniture Business segment supplies furniture and fittings which includes but not limited to cabinets, appliances, surfaces, woodwares, decorative products and other related activities.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated by the Executive Chairman and Chief Executive Officer solely based on gross profit or loss. Certain expenses, other income, financial income/expense and income taxes are managed on a group basis and are not allocated to operating segments.

14. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

**Business segment
FY2020 (HK\$'000)**

	IMD and Plastic Injection Parts	Furniture Business	Per consolidated financial statements
Revenue			
Sales to external customers	38,522	3,300	41,822
Segment results:			
Segment gross profit	10,984	405	11,389
Depreciation of property, plant and equipment	(1,203)	(747)	(1,950)
Amortisation of intangible assets	-	(16)	(16)
Impairment loss on trade and other receivables	(39)	-	(39)
Reversal of impairment loss on inventories	195	-	195
Research and product testing expenses	(2,509)	(164)	(2,673)
Unallocated expenses, net			(13,598)
Loss before tax			(6,692)
Assets:			
Additions to non-current assets	601	972	1,573
Segment assets	55,373	5,508	60,881
Segment liabilities	12,321	169	12,490

**Business segment
FY2019 (HK\$'000)**

	IMD and Plastic Injection Parts	Furniture Business	Per consolidated financial statements
Revenue			
Sales to external customers	37,316	2,356	39,672
Segment results:			
Segment gross profit	9,811	211	10,022
Depreciation of property, plant and equipment	(1,221)	(156)	(1,377)
Impairment loss on trade and other receivables	(110)	-	(110)
Impairment loss on inventories	(286)	-	(286)
Gain on disposal on property, plant and equipment	44	-	44
Research and product testing expenses	(2,412)	-	(2,412)
Unallocated expenses, net			(10,644)
Loss before tax			(4,763)
Assets:			
Additions to non-current assets	829	3,176	4,005
Segment assets	63,001	8,562	71,563
Segment liabilities	12,603	241	12,844

14. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Geographical segment

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

FY2020 (HK\$'000)

	Asia except for PRC	Europe	PRC	Total
Revenue				
Sales to external customers	65	1,798	39,959	41,822
Non-current assets	-	-	5,129	5,129

FY2019 (HK\$'000)

	Asia except for PRC	Europe	PRC	Total
Revenue				
Sales to external customers	160	2,786	36,726	39,672
Non-current assets	-	-	5,793	5,793

Non-current assets information presented above consist of property, plant and equipment as presented in the consolidated balance sheet.

15. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Business segment

Please see note 8 for factors leading to material changes in turnover and earnings by business segments.

Geographical segment

The increase in sales in in the PRC was mainly attributed to the increases in sales of IMD and plastic injection parts, kitchen cabinets and kitchen appliances. The decrease in sales in Europe and Asia except for PRC was mainly due to the decrease in sales of our IMD and plastic injection parts used for the consumer electronics.

16. **A breakdown of sales.**

	Group		
	FY2020 HK\$'000	FY2019 HK\$'000	% Change
<u>First Half</u>			
Revenue reported for the first half year	25,246	16,357	54.3
Net loss after tax and non-controlling interest	(2,131)	(410)	419.8
<u>Second Half</u>			
Revenue reported for the second half year	16,576	23,315	(28.9)
Net loss after tax and non-controlling interest	(4,561)	(3,763)	21.2

n.m. : not meaningful

16. A breakdown of sales.

The Group recorded a net loss after tax and non-controlling interest of HK\$4.6 million in second half of FY2020 (“**2H2020**”) as compared to HK\$2.1 million in first half of FY2020 (“**1H2020**”), mainly due to decline in revenue from HK\$25.2 million in 1H2020 to HK\$16.6 million in 2H2020, which resulted overall gross profit dropped from HK\$7.3 million in 1H2020 to HK\$4.1 million in 2H2020.

17. A breakdown of the total annual dividend (in dollar value) for the issuer’s latest full year and its previous full year.

No dividend was declared for FY2020 and FY2019.

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

There is no person occupying a managerial position in the Company and/or its subsidiaries who is a relative of a director, chief executive officer or substantial shareholder of the Company and/or its subsidiaries as at 31 March 2020 pursuant to Rule 704(10) of the Catalist Rules.

19. 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.

20. Additional Information Required Pursuant to Rule 706A

Not applicable. During FY2020, 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.

BY ORDER OF THE BOARD
CAI KAOQUN
EXECUTIVE CHAIRMAN AND CEO
24 June 2020

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") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. This announcement has not been examined or approved by the SGX-ST.

The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Joseph Au, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).