



CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

(Company Registration No. 200712727W)

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2021**



CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

Company registration number: 200712727W

Unaudited Financial Statements for the Financial Period ended 30 September 2021

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF YEAR RESULTS

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

<u>Condensed Interim Consolidated Income Statement</u>	Note	Group		Change %
		6 months ended		
		30-Sep-21 ("1H2022") HK\$'000	30-Sep-20 ("1H2021") HK\$'000	
<u>Continuing operations</u>				
Revenue	4	17,281	22,230	(22.3)
Cost of sales		(14,873)	(18,625)	(20.1)
Gross profit		2,408	3,605	(33.2)
Other items of income				
Interest income		14	70	(80.0)
Other income	5	239	852	(71.9)
Other items of expense				
Selling and distribution expenses		(799)	(755)	5.8
General and administrative expenses		(9,299)	(7,849)	18.5
Other expenses	6	(50)	(465)	n.m.
Loss before tax	7	(7,487)	(4,542)	64.8
Income tax expense		-	-	n.m.
Loss for the period		(7,487)	(4,542)	64.8
Attributable to:				
Owners of the Company				
Loss for the period attributable to owners of the Company		(7,487)	(4,542)	64.8
Loss per share (HK cents per share)				
Basic and diluted	9	(1.83)	(1.11)	

n.m. : not meaningful

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

<u>Condensed Interim Consolidated Income Statement</u>	Group		Change %
	1H2022 HK\$'000	1H2021 HK\$'000	
Loss for the period	(7,487)	(4,542)	64.8
Other comprehensive income:			
Items that may be subsequently reclassified to profit & loss:			
Foreign currency translation	481	1,453	(66.9)
Items that may not be subsequently reclassified to profit & loss:			
Foreign currency translation	136	455	(70.1)
Other comprehensive income for the period, net of tax	617	1,908	(67.7)
Total comprehensive income for the period	(6,870)	(2,634)	160.8
Attributable to:			
Total comprehensive income for the period attributable to owners of the Company	(6,870)	(2,634)	160.8

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

	Note	Group As at 30-Sep-21 HK\$'000	Group As at 31-Mar-21 HK\$'000	Company As at 30-Sep-21 HK\$'000	Company As at 31-Mar-21 HK\$'000
<u>Non-current assets</u>					
Investment in subsidiaries		-	-	40,991	40,399
Property, plant and equipment	11	3,544	4,244	-	-
Intangible assets		35	52	-	-
Total non-current assets		3,579	4,296	40,991	40,399
<u>Current assets</u>					
Inventories	12	3,754	5,072	-	-
Trade and other receivables	13	16,758	28,894	-	-
Prepayments		736	863	67	66
Amount due from related parties	13	-	-	7,942	9,831
Cash and short-term deposits	13	21,453	18,086	1,041	705
Total current assets		42,701	52,915	9,050	10,602
Total Assets		46,280	57,211	50,041	51,001
<u>Current liabilities</u>					
Trade and other payables	13	5,036	6,086	874	231
Other liabilities	14	5,092	6,935	711	1,624
Amount due to related parties	13	498	1,667	-	-
Provision for taxation		50	49	-	-
Total current liabilities		10,676	14,737	1,585	1,855
Net current assets		32,025	38,178	7,465	8,747
Total liabilities		10,676	14,737	1,585	1,855
Net assets		35,604	42,474	48,456	49,146
<u>Equity attributable to owners of the Company</u>					
Share capital	16	148,309	148,309	148,309	148,309
Accumulated losses		(55,884)	(48,397)	(112,494)	(111,086)
Restructuring reserve		(74,397)	(74,397)	-	-
Foreign currency translation reserve		17,576	16,959	12,641	11,923
Total equity		35,604	42,474	48,456	49,146
Total equity and liabilities		46,280	57,211	50,041	51,001

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	
	1H2022	1H2021
	(HK\$'000)	(HK\$'000)
Operating activities		
Loss before tax, total	(7,487)	(4,542)
Adjustments for:		
Depreciation of property, plant and equipment	774	850
Amortisation of intangible assets	17	16
Impairment loss on inventories	-	459
Reversal of impairment loss on inventories	(103)	-
Gain on disposal of property, plant and equipment	(6)	-
Interest income	(14)	(70)
Unrealised foreign exchange loss	17	91
Operating cash flows before working capital changes	(6,802)	(3,196)
Decrease/(Increase) in:		
Trade and other receivables	12,549	(12,108)
Inventories	1,494	1,750
Prepayments	140	3,531
(Decrease)/Increase in:		
Trade and other payables	(1,138)	723
Other liabilities	(1,943)	(1,775)
Amount due to related parties, net	(1,192)	442
Cash flows used in operations	3,108	(10,633)
Interest received	14	70
Net cash flows generated from/(used in) operating activities	3,122	(10,563)
Investing activities		
Purchase of property, plant and equipment	(12)	(245)
Proceeds from disposal of property, plant and equipment	6	-
Withdrawal of short-term deposit with terms more than three months on the maturity date	-	27,395
Net cash flows (used in)/generated from investing activities	(6)	27,150
Net increase in cash and cash equivalents	3,116	16,587
Effect of exchange rate changes on cash and cash equivalents	251	907
Cash and cash equivalents at beginning of financial period	18,086	5,246
Cash and cash equivalents at end of financial period	21,453	22,740

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	Equity attributable to owners of the Company, total HK\$'000	Share capital HK\$'000	Accumulated losses HK\$'000	Restructuring reserve HK\$'000	Foreign currency translation reserve HK\$'000
Group						
1H2022						
Opening balance at 1 April 2021	42,474	42,474	148,309	(48,397)	(74,397)	16,959
Loss for the period	(7,487)	(7,487)	-	(7,487)	-	-
Other comprehensive income for the period, net of tax	617	617	-	-	-	617
Total comprehensive income for the period	(6,870)	(6,870)	-	(7,487)	-	617
Closing balance at 30 September 2021	35,604	35,604	148,309	(55,884)	(74,397)	17,576

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

- 1(d) 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				
1H2022				
Opening balance at 1 April 2021	49,146	148,309	(111,086)	11,923
Loss for the period	(1,408)	-	(1,408)	-
Other comprehensive income for the period, net of tax	718	-	-	718
Total comprehensive income for the period	(690)	-	(1,408)	718
Closing balance at 30 September 2021	48,456	148,309	(112,494)	12,641
Company				
1H2021				
Opening balance at 1 April 2020	53,911	148,309	(102,102)	7,704
Loss for the period	(1,489)	-	(1,489)	-
Other comprehensive income for the period, net of tax	2,254	-	-	2,254
Total comprehensive income for the period	765	-	(1,489)	2,254
Closing balance at 30 September 2020	54,676	148,309	(103,591)	9,958

Notes to the condensed interim consolidated unaudited financial statements

1. Corporate information

China Kunda Technology Holdings Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited. These condensed consolidated interim financial statements comprise the Company and its subsidiaries (collectively, the "Group"). The principal activity of the Company is investment holding. The principal activities of the Group are those relating to plastic injection moulding, furniture fittings and appliances, home care medical device and other related products.

The registered office of the Company is at 4 Shenton Way, SGX Centre 2, #17-01, Singapore 068807. The principal place of business of the Group is located at Bao Long Industrial Park, Bao Long Yi Road, Longgang District, Shenzhen City, Guangdong Province, People's Republic of China ("PRC").

2. Basis of preparation

These condensed consolidated interim financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore.

The accounting policies and methods of computation applied in these condensed consolidated interim financial statements are consistent with those of the latest audited annual financial statements for the financial year ended 31 March 2021 except for the adoption of new and amended standards as set out in Note 2.1.

The financial statements are presented in Hong Kong Dollars (HK\$) and all values in the tables are rounded to the nearest thousand (HK\$'000), except when otherwise indicated.

2.1 New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 Use of judgements and estimates

In preparing the condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the financial year ended 31 March 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Seasonality of operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Financial information by operating segment

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(a) *In-Mould Decoration (“IMD”) and the Plastic Injection Parts Business (collectively, the “IMD Business”)*

The IMD and Plastic injection parts segment provide specialised plastic injection parts and technical services used mainly in the production of electrical appliances and electronic devices.

IMD 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.

(b) *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.

(c) *Medical Device Business*

The Medical Device Business segment supplies medical device and other related products which include but not limited to homecare products, respiratory products, rehabilitation products, hospital instruments, the matching reagents, and other accessories and materials used for the production of medical device.

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.

4.1 Business segments 1H2022 (HK\$'000)

	IMD Business	Furniture Business	Per consolidated financial statements
Revenue			
Sales to external customers	13,955	3,326	17,281
Segment results:			
Segment gross profit	1,755	653	2,408
Depreciation of property, plant and equipment	(620)	(154)	(774)
Amortisation of intangible assets	-	(17)	(17)
Gain on disposal of property, plant and equipment (Reversal of impairment loss)/Impairment loss on inventories	6	-	6
Research and product testing expenses	158	(55)	103
Unallocated expenses, net	(1,511)	(187)	(1,698)
Loss before tax			<u>(7,515)</u>
			<u>(7,487)</u>
Segment assets as at 30 September 2021	<u>42,319</u>	<u>3,961</u>	<u>46,280</u>
Segment liabilities as at 30 September 2021	<u>9,215</u>	<u>1,461</u>	<u>10,676</u>

4.1 Business segments
1H2021 (HK\$'000)

	IMD Business	Furniture Business	Medical Device Business	Per consolidated financial statements
Revenue				
Sales to external customers	14,185	1,665	6,380	22,230
Segment results:				
Segment gross profit	3,032	219	354	3,605
Depreciation of property, plant and equipment	(708)	(142)	-	(850)
Amortisation of intangible assets	-	(16)	-	(16)
Collection of previously impaired trade receivables	85	-	-	85
Impairment loss on inventories	(459)	-	-	(459)
Research and product testing expenses	(1,338)	(222)	-	(1,560)
Unallocated expenses, net				(5,347)
Loss before tax				(4,542)
Segment assets as at 31 March 2021	44,008	4,385	8,818	57,211
Segment liabilities as at 31 March 2021	13,230	1,507	-	14,737

4.2 Geographical segments

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

	Revenue		Non-current assets	
	1H2022	1H2021	30 Sept 2021	31 Mar 2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	16,038	21,958	3,579	4,296
Europe	1,034	187	-	-
Others	209	85	-	-
	17,281	22,230	3,579	4,296

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

4.3 Disaggregation of revenue

Segments	IMD and Plastic Injection		Furniture		Medical Device		Total revenue	
	Parts							
	1H2022	1H2021	1H2022	1H2021	1H2022	1H2021	1H2022	1H2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Primary geographical markets								
People's Republic of China ("PRC")	12,712	13,913	3,326	1,665	-	6,380	16,038	21,958
Europe	1,034	187	-	-	-	-	1,034	187
Others	209	85	-	-	-	-	209	85
	13,955	14,185	3,326	1,665	-	6,380	17,281	22,230
Major products								
IMD products	13,249	13,109	-	-	-	-	13,249	13,109
IMD moulds	706	1,076	-	-	-	-	706	1,076
Electrical appliances	-	-	1,257	980	-	-	1,257	980
Cabinetry products	-	-	2,069	685	-	-	2,069	685
Homecare medical equipment	-	-	-	-	-	6,380	-	6,380
	13,955	14,185	3,326	1,665	-	6,380	17,281	22,230
Timing of transfer of goods								
At a point in time	13,955	14,185	3,326	1,665	-	6,380	17,281	22,230

4.3 Contract liabilities

Information about contract liabilities from contracts with customers is disclosed as follows:

	Group	
	30 September 2021	31 March 2021
	HK\$'000	HK\$'000
Contract liabilities	674	717

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for sale of IMD products, IMD moulds, furniture and medical equipment.

5. Other income

	Group	
	1H2022	1H2021
	HK\$'000	HK\$'000
Sale of raw materials/scrap materials	104	302
Reversal of impairment loss on inventories	103	-
Government grants related to income	26	550
Gain on disposal of property, plant and equipment	6	-
	239	852

6. Other expenses

	Group	
	1H2022	1H2021
	HK\$'000	HK\$'000
Reversal of impairment loss on trade and other receivables	-	(85)
Impairment loss on inventories	-	459
Net foreign exchange loss	17	91
Others	33	-
	50	465

7. Loss before tax

The following items have been included in arriving at loss before tax:

	Group	
	1H2022	1H2021
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	774	850
Amortisation of intangible asset	17	16
Research expenses	1,698	1,560

8. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial year:

	Group	
	1H2022 HK\$'000	1H2021 HK\$'000
Rental of factory premises charged by a director-related company	1,659	1,329

9. Loss per share

	Group	
	1H2022	1H2021
Loss attributable to owners of the Company (HK\$'000)	(7,487)	(4,542)
Weighted average number of ordinary shares for earnings per share computation ('000)	409,800	409,800
Basic loss per share (HK cents)	(1.83)	(1.11)

The diluted loss per share is not presented as there were no potential dilutive securities as at 30 September 2021 and 30 September 2020.

10. Net asset value per share

	Group		Company	
	30 Sept 2021 HK cents	31 Mar 2021 HK cents	30 Sept 2021 HK cents	31 Mar 2021 HK cents
Net assets per ordinary share based on 409.8 million shares as at 30 September 2021 (31 March 2020: 409.8 million shares)	8.69	10.36	11.82	11.99

11. Property, plant and equipment

During the six months ended 30 September 2021, the Group acquired plant and equipment amounting to HK\$12,000 (30 September 2020: HK\$245,000) for its IMD business.

12. Inventories

	Group	
	30 Sept 2021 HK\$'000	31 Mar 2021 HK\$'000
Balance sheet:		
Raw materials (at cost)	2,139	3,693
Work-in-progress (at cost)	1,081	807
Finished goods (at cost or net realizable value)	534	572
	3,754	5,072

13. Financial assets and financial liabilities

	Group		Company	
	30 Sept 2021	31 Mar 2021	30 Sept 2021	31 Mar 2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Financial assets</u>				
Trade receivables	15,805	28,403	-	-
Bills receivables	940	484	-	-
Deposits	1	1	-	-
Other receivables	12	6	-	-
Total trade and other receivables	16,758	28,894	-	-
Add: Amounts due from related parties	-	-	7,942	9,831
Add: Cash and short-term deposits	21,453	18,086	1,041	705
Less: Bills receivables at FVOCI	(940)	(484)	-	-
Total financial assets carried at amortised cost	37,271	47,464	8,983	10,536
<u>Financial liabilities</u>				
Trade payables	4,023	5,685	-	-
Other payables	1,013	401	874	231
Total trade and other payables	5,036	6,086	874	231
Add: Amounts due to related parties	498	1,667	-	-
Add: Accrued operating expenses	3,805	4,809	711	1,624
Total financial liabilities carried at amortised cost	9,339	12,562	1,585	1,855

13.1 Fair value measurement

The Group classifies financial assets measured at fair value using a fair value hierarchy which reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (**Level 1**);
- Inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (**Level 2**); and
- Inputs for the assets or liability which are not based on observable market data (unobservable inputs) (**Level 3**)

The following table presented the assets measured at fair value:

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group – 30 September 2021				
Financial assets				
Bills receivables at FVOCI	-	940	-	940
Group – 31 March 2021				
Financial assets				
Bills receivables at FVOCI	-	484	-	484

14. Other liabilities

	Group		Company	
	30 Sept 2021	31 Mar 2021	30 Sept 2021	31 Mar 2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accrued operating expenses	3,805	4,809	711	1,624
Contract liabilities	674	717	-	-
VAT and other tax payables	613	1,409	-	-
	5,092	6,935	711	1,624

15. Aggregate amount of the Group's borrowings and debt securities

Amount repayable in one year or less, or on demand

(In HK\$'000)

As at 30 September 2021		As at 31 March 2021	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

(In HK\$'000)

As at 30 September 2021		As at 31 March 2021	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The Group did not have any bank borrowings or debt securities as at 30 September 2021 and 31 March 2021.

16. Share capital

	Group and Company			
	As at 30 Sept 2021		As at 31 Mar 2021	
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
Issued and fully paid ordinary shares				
Balance at beginning and end of period/year	409,800	148,309	409,800	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.

17. 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.

18. 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.

19. Events after the end of the reporting period

There are no known subsequent events which led to adjustments to this set of condensed consolidated interim financial statements.

Other Information Required by Catalist Rules Appendix 7F

OTHER INFORMATION

1. Review

The condensed consolidated statement of financial position of the Company and its subsidiaries as at 30 September 2021 and the condensed interim consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended 30 September 2021 and certain explanatory notes have not been audited or reviewed by the Company's auditors.

2. Review of performance of the Group

Income Statement

Revenue and Gross Profit

Financial period (HK\$'000)	IMD Business	Furniture Business	Medical Device Business	Total
1H2022 Revenue	13,955	3,326	-	17,281
1H2021 Revenue	14,185	1,665	6,380	22,230
% change	(1.6%)	99.8%	n.m.	(22.3%)
1H2022 Sales mix	80.8%	19.2%	-	100.0%
1H2021 Sales mix	63.8%	7.5%	28.7%	100.0%
1H2022 Gross profit	1,755	653	-	2,408
1H2021 Gross profit	3,032	219	354	3,605
% change	(42.1%)	198.2%	n.m.	(33.2%)
1H2022 Gross profit margin	12.6%	19.6%	-	13.9%
1H2021 Gross profit margin	21.4%	13.2%	5.5%	16.2%
Percentage point difference	(8.8)	6.4	n.m.	(2.3)

n.m. : not meaningful

As tabulated above, our Group's revenue decreased by 22.3% in 1H2022 as compared to 1H2021, mainly due to the temporarily cessation of thermometer trading in 1H2022 and decrease in sales from our In-Mould Decoration ("IMD") and the Plastic Injection Parts Business (collectively, the "IMD Business"), offset by the increase in sales from our Furniture Business. Following the overall revenue declined, overall gross profit also decreased by 33.2% in 1H2022 as compared to 1H2021.

IMD Business

IMD revenue decreased by 1.6% in 1H2022 as compared to 1H2021, mainly attributed to the decline in sales of IMD and plastic injection parts to the customers in electrical appliances and consumer electronics industries who were adversely affected by the effects of global chip shortage and COVID-19 pandemic. Further, gross margin decreased from 21.4% in 1H2021 to 12.6% in 1H2022, mainly due to:

- Percentage of direct material costs over sales for IMD parts increased from 37% in 1H2021 to 46% in 1H2022 as a result of increased prices of raw materials which are widely used for the production of IMD parts;
- Unfavourable sales mix in 1H2022 as compared to 1H2021 with a higher portion of sales of small IMD parts and small volume orders which are more labour intensive but contributed lower margins in 1H2022; and
- IMD moulds were sold at discounted prices in order to attract more sales order of IMD parts amid the global chip shortage and COVID-19 pandemic.

Furniture Business

Revenue increased by 99.8% in 1H2022 as compared to 1H2021, mainly attributed to the increased sales from customised cabinetry products. Gross margin improved from 13.2% in 1H2021 to 19.6% in 1H2022 as a result of favourable sales mix with a higher portion of sales of higher margins products such as customized cabinetry products and certain kitchen appliances.

2. **Review of performance of the Group**

Medical Device Business

In 1H2021, the revenue from our medical device business comprised sales of thermometers. Due to expected sharp drop in demand for thermometers and consequential steep fall in market price, the trading business of thermometers is no longer profitable. Thus, the Group temporarily ceased trading of thermometers in 1H2022.

Other items of income

The decrease in interest income in 1H2022 was mainly attributed to decrease in fixed deposits placed with the banks in PRC.

The decrease in other income in 1H2022 was mainly due to the decrease in government grants and sales of raw materials and scrap materials.

Other items of expense

Selling and distribution expenses increased by 5.8% in 1H2022 as compared to 1H2021, mainly due to the increase in sales commissions and referral fees as a result of more generous sales incentive scheme introduced by the Group to motivate sales under poor market conditions.

General and administrative expenses increased by 18.5% in 1H2022 as compared to 1H2021, mainly due to:

- Social security and provident fund expenses increased by HK\$0.6 million from our IMD Business and Furniture Business. In 2020, the Chinese government granted several reductions and exemptions from social security and provident fund contributions for the period from February 2020 to December 2020 in order to reduce the adverse economic impact of COVID-19 pandemic. However, there is no such reliefs in 2021;
- General and administrative expenses (excluding social security and provident fund expenses) increased by HK\$0.4 million from our Furniture Business, in tandem with the increased business volume;
- Research and product testing expenses increased by HK\$0.2 million from our IMD Business, mainly arising from the development of new products as well as research activities for potential business opportunities; and
- Administrative payroll expenses increased by HK\$0.2 million from our IMD Business mainly due to increase in headcount.

In 1H2022, the Group recorded a reversal of impairment loss on inventories of HK\$0.1 million from our IMD business under other income, as compared to an impairment loss on inventories of HK\$0.5 million recorded under other expenses in 1H2021.

Depreciation of plant and equipment decreased by 8.9%, mainly due to the full amortisation of office renovation carried out by our IMD Business located in Shenzhen in FY2018, which were recorded under general and administrative expenses.

Arising from the above, the Group recorded a net loss of HK\$7.5 million in 1H2022 as compared to HK\$4.5 million in 1H2021.

Other comprehensive income - Foreign currency translation

The foreign currency translation gain arose mainly from the translation of our net asset position in our financial statements denominated in Renminbi (“RMB”) to Hong Kong dollars (“HKD”) when consolidating the Group’s financials. HKD depreciated against RMB by approximately 1.5% in 1H2022 as compared to 4.3% in 1H2021.

Balance sheet

Non-current assets

The decrease in property, plant and equipment was mainly due to depreciation charges of HK\$0.8 million recorded in 1H2022, offset by foreign currency translation gain of HK\$0.1 million.

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

2. Review of performance of the Group

Current assets

Inventories as at 30 September 2021 decreased by 26.0% as compared to 31 March 2021, mainly due to a HK\$1.6 million decrease in raw materials of our IMD Business following the utilisation of raw materials to produce the IMD parts sold during the financial period, partially offset by an HK\$0.3 million increase in work in progress of customised cabinetry products from our Furniture Business.

Trade and other receivables as at 30 September 2021 decreased by 42.0% as compared to 31 March 2021 was mainly due to the net decrease in sales of IMD parts and raw materials inclusive of value added tax by HK\$12.9 million in 1H2022 as compared to second half of FY2021 (“2H2021”).

Prepayments as at 30 September 2021 decreased by 14.7% as compared to 31 March 2021, was mainly due to prepayments realised upon the receipt of goods and services from supplier and subcontractors during the financial period.

Current liabilities

Trade and other payables of our Group as at 30 September 2021 decreased by 17.3% as compared to 31 March 2021, mainly due to decrease in trade and other payables from our IMD business, in tandem with the decline of sales and production volume in 1H2022 as compared to 2H2021.

Other liabilities as at 30 September 2021 decreased by 26.6% as compared to 31 March 2021, mainly due to:

- Decrease in accrued operating expenses by HK\$0.9 million from our Singapore office following payments made during the financial period; and
- Decrease in VAT payables and other tax payables by HK\$0.8 million, in tandem with sales and production volume declined from our IMD Business in 1H2022 as compared to 2H2021.

Amount due to related parties as at 30 September 2021 decreased by 70.1% as compared to 31 March 2021 following the payments made during the financial period for rental expenses of our factory premise at Bao Long Yi Road and director remuneration accrued in 2H2021.

Cash flow

In 1H2022, the Group’s cash and cash equivalents increased by HK\$3.1 million.

In 1H2022, net cash flow generated from operating activities was mainly due to working capital inflow of HK\$9.9 million, offset by operating cash outflows before working capital changes of HK\$6.8 million. The working capital inflow in 1H2022 mainly arose from decrease in trade and other receivables of HK\$12.5 million, decrease in inventories of HK\$1.5 million and decrease in prepayments of HK\$0.1 million, partially offset by decrease in other liabilities of HK\$1.9 million, decrease in amount due to related parties of HK\$1.2 million and decrease in trade and other payables of HK\$1.1 million. The decrease in overall working capital was mainly attributed to the decline of sales and production volume from our IMD Business in 1H2022 as compared to 2H2021.

In 1H2021, our investing activities recorded an acquisition of plant and equipment of HK\$12,000 and a HK\$6,000 sale proceed of plant and equipment disposed from our IMD Business.

There was no cash utilised or generated from financing activities in 1H2022.

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

The financial results are in-line with the forecast statement disclosed in the Company’s financial results announcement for the financial year ended 31 March 2021, dated 28 May 2021.

4. 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 revenue is largely contributed by the electronics manufacturers in the People's 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.

Although, the COVID-19 pandemic is largely under control in the PRC, the Group's operating environment remains challenging due to competition. In view of the foregoing, the Group is likely to continue incurring losses.

Even-though the Group temporarily ceased trading of thermometers in 1H2022, the Group believes that the medical device business will allow the Group to participate in the growth prospects of this industry. The Group will continue to assess the market demand of thermometers and supply other medical devices when the business opportunity arises.

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

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

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

Not applicable.

6. Dividend

(a) Current Financial Period Reported On

Any dividend declared/recommended 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) The date the dividend is payable.

Not applicable.

(d) 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.

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

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

8. Interested person transactions

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

Name of interested person	Aggregate value of all interested person transactions during financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) HK\$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) HK\$'000
<u>Shenzhen Kunda Precision Mould Co., Ltd</u> ⁽¹⁾ (“ Shenzhen Precision ”)		
Rental of factory premises at Bao Long Yi Road, Shenzhen	3,319 ⁽²⁾	-
Total	3,319	-

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

Note:

- (1) Shenzhen Kunda Precision Mould Co., Ltd – a company incorporated in PRC. The shareholders of Shenzhen Precision are our Executive Chairman and CEO, Cai Kaoqun and our Executive Director Cai Kaobing who hold 95% and 5% of the equity interests in Shenzhen Precision respectively. The directors of Shenzhen Precision are Cai Kaoqun, and our Executive Director, Cai Kaobing.
- (2) The total annual rental of RMB2,760,000 was translated at the average exchange rate of RMB1.00:HK\$1.2024 for the financial period ended from 1 April 2021 to 30 September 2021.

9. 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.

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

Not applicable. During 1H2022, 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.

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

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the condensed interim consolidated unaudited financial statements for the six months ended 30 September 2021 to be false or misleading in any material aspect.

On Behalf of the Board of Directors

Cai Kaoqun
Executive Chairman and CEO

Cai Kaobing
Executive Director

BY ORDER OF THE BOARD
CAI KAOQUN
EXECUTIVE CHAIRMAN AND CEO
12 November 2021

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

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