



# CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

Company registration number: 200712727W

## Unaudited Financial Statements for the Financial Period ended 31 December 2016

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.

<u>Consolidated Income Statement</u>	Note	Group (HK\$'000) 3 months ended			Change %	Group (HK\$'000) 9 months ended			Change %
		31-Dec-16 ("3Q2017")	31-Dec-15 ("3Q2016")			31-Dec-16 ("9M2017")	31-Dec-15 ("9M2016")		
Revenue		49,678	62,957	(21.1)		151,539	154,423	(1.9)	
Cost of sales		(40,719)	(51,963)	(21.6)		(122,587)	(127,559)	(3.9)	
<b>Gross profit</b>		<b>8,959</b>	<b>10,994</b>	(18.5)		<b>28,952</b>	<b>26,864</b>	7.8	
<b>Other items of income</b>									
Interest income	1	119	125	(4.8)		285	184	54.9	
Other income	2	1,538	1,018	51.1		3,333	4,706	(29.2)	
<b>Other items of expense</b>									
Selling and distribution expenses		(2,521)	(2,941)	(14.3)		(7,385)	(7,880)	(6.3)	
General and administrative expenses		(7,120)	(6,810)	4.6		(19,830)	(16,198)	22.4	
Other credit	3	435	108	302.8		546	94	480.9	
<b>Profit before taxation</b>	4	<b>1,410</b>	<b>2,494</b>	(43.5)		<b>5,901</b>	<b>7,770</b>	(24.1)	
Income tax expense	5	(208)	(275)	(24.4)		(126)	(321)	(60.7)	
<b>Profit for the period</b>		<b>1,202</b>	<b>2,219</b>	(45.8)		<b>5,775</b>	<b>7,449</b>	(22.5)	
<b>Attributable to:</b>									
Owners of the Company		661	1,408	(53.1)		3,521	6,174	(43.0)	
Non-controlling interests		541	811	(33.3)		2,254	1,275	76.8	
		<b>1,202</b>	<b>2,219</b>	(45.8)		<b>5,775</b>	<b>7,449</b>	(22.5)	

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

	Group			Group		
	3Q2017	3Q2016	Change	9M2017	9M2016	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
<b>Profit for the period</b>	<b>1,202</b>	<b>2,219</b>	<b>(45.8)</b>	<b>5,775</b>	<b>7,449</b>	<b>(22.5)</b>
<b>Other comprehensive income:</b>						
Items that may be subsequently reclassified to profit & loss:						
Foreign currency translation	(4,205)	(2,150)	95.6	(7,568)	(4,703)	60.9
<b>Other comprehensive income for the period, net of tax</b>	<b>(4,205)</b>	<b>(2,150)</b>	<b>95.6</b>	<b>(7,568)</b>	<b>(4,703)</b>	<b>60.9</b>
<b>Total comprehensive income for the period</b>	<b>(3,003)</b>	<b>69</b>	<b>n.m.</b>	<b>(1,793)</b>	<b>2,746</b>	<b>n.m.</b>
<b>Attributable to:</b>						
Owners of the Company	(2,405)	(189)	n.m.	(2,020)	2,672	n.m.
Non-controlling interests	(598)	258	n.m.	227	74	206.8
<b>Total comprehensive income for the period</b>	<b>(3,003)</b>	<b>69</b>	<b>n.m.</b>	<b>(1,793)</b>	<b>2,746</b>	<b>n.m.</b>
<b>Note 1 – Interest income</b>						
Interest income from bank and other receivables	119	125	(4.8)	285	184	54.9
<b>Note 2 – Other income</b>						
Sale of raw materials/ scrap materials	1	6	(83.3)	68	155	(56.1)
Gain on disposal of property, plant and equipment	-	135	n.m.	28	135	(79.3)
Government grants related to income	4	(1)	n.m.	29	2,478	(98.8)
Net foreign exchange gain	1,045	509	105.3	1,921	1,086	76.9
Rental income	488	372	31.2	1,287	372	246.0
Compensation income	-	(3)	n.m.	-	480	n.m.
	1,538	1,018	51.1	3,333	4,706	(29.2)
<b>Note 3 – Other credit</b>						
Reversal of impairment loss on inventories	(487)	(108)	350.9	(598)	(94)	536.2
Others	52	-	n.m.	52	-	n.m.
	(435)	(108)	302.8	(546)	(94)	480.9
<b>Note 4 – Profit before taxation</b>						
This is determined after charging the following:						
Depreciation of property, plant and equipment	512	697	(26.5)	1,774	1,762	0.7
Research and product testing expenses	406	722	(43.8)	1,678	1,545	8.6
<b>Note 5 – Income tax expense</b>						
Current income taxation	202	275	(26.5)	643	599	7.3
Under/(Over)provision in respect of prior years	6	-	n.m.	(517)	(278)	86.0
<b>Income tax expense</b>	<b>208</b>	<b>275</b>	<b>(24.4)</b>	<b>126</b>	<b>321</b>	<b>(60.7)</b>

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-Dec-16 HK\$'000	Group As at 31-Mar-16 HK\$'000	Company As at 31-Dec-16 HK\$'000	Company As at 31-Mar-16 HK\$'000
<b><u>Non-current assets</u></b>					
Investment in subsidiaries		-	-	43,536	46,977
Property, plant and equipment		13,718	14,316	-	-
Prepayments		1,384	150	-	-
<b>Total non-current assets</b>		<b>15,102</b>	<b>14,466</b>	<b>43,536</b>	<b>46,977</b>
<b><u>Current assets</u></b>					
Inventories	1	22,771	26,749	-	-
Trade and other receivables	2	45,574	47,557	-	-
Prepayments		6,792	14,550	69	108
Amount due from related parties		-	-	26,541	32,117
Cash and bank balances		43,242	34,613	339	214
<b>Total current assets</b>		<b>118,379</b>	<b>123,469</b>	<b>26,949</b>	<b>32,439</b>
<b>Total Assets</b>		<b>133,481</b>	<b>137,935</b>	<b>70,485</b>	<b>79,416</b>
<b><u>Current liabilities</u></b>					
Trade and other payables		47,401	49,159	-	-
Other liabilities		10,633	11,051	1,219	1,865
Amount due to related parties		533	444	-	-
Deferred government grants		178	192	-	-
Provision for taxation		312	872	-	-
<b>Total current liabilities</b>		<b>59,057</b>	<b>61,718</b>	<b>1,219</b>	<b>1,865</b>
<b>Net current assets</b>		<b>59,322</b>	<b>61,751</b>	<b>25,730</b>	<b>30,574</b>
<b>Total liabilities</b>		<b>59,057</b>	<b>61,718</b>	<b>1,219</b>	<b>1,865</b>
<b>Net assets</b>		<b>74,424</b>	<b>76,217</b>	<b>69,266</b>	<b>77,551</b>
<b><u>Equity attributable to owners of the Company</u></b>					
Share capital		148,309	148,309	148,309	148,309
Accumulated losses		(38,620)	(41,842)	(87,184)	(84,466)
Restructuring reserve		(74,397)	(74,397)	-	-
Statutory reserve		344	45	-	-
Foreign currency translation reserve		14,256	19,797	8,141	13,708
		49,892	51,912	69,266	77,551
Non-controlling interests		24,532	24,305	-	-
<b>Total equity</b>		<b>74,424</b>	<b>76,217</b>	<b>69,266</b>	<b>77,551</b>
<b>Total equity and liabilities</b>		<b>133,481</b>	<b>137,935</b>	<b>70,485</b>	<b>79,416</b>

**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-Dec-16 HK\$'000	Group As at 31-Mar-16 HK\$'000
<b>Note 1 – Inventories</b>		
Raw materials	4,332	3,075
Work in progress	1,677	1,119
Finished goods	16,762	22,555
	<u>22,771</u>	<u>26,749</u>

**Note 2 – Trade and other receivables**

Trade receivables	40,323	40,935
Bill receivables	3,116	2,815
Other receivables	2,135	3,807
	<u>45,574</u>	<u>47,557</u>

**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 December 2016		As at 31 March 2016	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

**Amount repayable after one year**

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

As at 31 December 2016		As at 31 March 2016	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

**Details of any collateral**

The Group does not have any bank borrowings or debt securities as at 31 December 2016 and 31 March 2016.

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)		Group (HK\$'000)	
	3Q2017	3Q2016	9M2017	9M2016
<b>Operating activities</b>				
Profit before tax, total	1,410	2,494	5,901	7,770
Adjustments for:				
Depreciation of property, plant and equipment	512	697	1,774	1,762
Reversal of impairment loss on inventories	(487)	(108)	(598)	(94)
Gain on disposal of property, plant and equipment	-	(135)	(28)	(135)
Amortisation of government grants related to income	-	18	-	(2,461)
Interest income	(119)	(125)	(285)	(184)
Translation differences	(1,800)	(1,202)	(3,387)	(2,842)
Operating cash flows before working capital changes	(484)	1,639	3,377	3,816
(Increase)/decrease in:				
Trade and other receivables	1,075	(16,902)	1,983	(27,157)
Inventories	2,032	2,237	4,576	8,349
Prepayments	(1,172)	2,728	7,758	13,583
Amount due from related parties, net	176	248	89	504
Increase/(decrease) in:				
Trade and other payables	(3,830)	15,471	(1,560)	7,858
Other liabilities	(248)	1,355	(418)	(728)
Cash flows (used in)/from operations	(2,451)	6,776	15,805	6,225
Interest received	119	125	285	184
Income tax paid	(167)	(283)	(652)	(182)
<b>Net cash flows (used in)/generated from operating activities</b>	<b>(2,499)</b>	<b>6,618</b>	<b>15,438</b>	<b>6,227</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment	(2,280)	(4,719)	(3,677)	(5,418)
Proceeds from disposal of property, plant and equipment	-	135	28	135
Government grants received	-	(6)	-	812
<b>Net cash flows used in investing activities</b>	<b>(2,280)</b>	<b>(4,590)</b>	<b>(3,649)</b>	<b>(4,471)</b>
<b>Financing activities</b>				
Proceeds from issuance of new ordinary shares	-	-	-	3,555
Share issue expenses	-	-	-	(303)
<b>Net cash flows generated from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,252</b>
Net (decrease)/increase in cash and cash equivalents	(4,779)	2,028	11,789	5,008
Effect of exchange rate changes on cash and cash equivalents	(1,823)	(729)	(3,160)	(1,501)
Cash and cash equivalents at beginning of financial period	49,844	29,702	34,613	27,494
<b>Cash and cash equivalents at end of financial period</b>	<b>43,242</b>	<b>31,001</b>	<b>43,242</b>	<b>31,001</b>

- 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)		Group (HK\$'000)	
3Q2017	3Q2016	9M2017	9M2016

**Note A:**

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

Aggregate cost of property, plant and equipment acquired	1,852	1,438	2,245	1,766
Add: Payment for prior years acquisitions	-	-	213	374
(Less)/Add: Outstanding payments	(3)	1	(15)	(156)
Add: Movement of prepayments made	431	3,280	1,234	3,434
Cash payments made to acquire property, plant and equipment	<b>2,280</b>	<b>4,719</b>	<b>3,677</b>	<b>5,418</b>

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
		Equity attributable to owners of the Company, total	Share capital	Accumulated losses	Restructuring reserve	Statutory reserve	Foreign currency translation reserve	
	Equity, total HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Group</b>								
<b>3Q2017</b>								
Opening balance at 1 October 2016	77,427	52,297	148,309	(39,209)	(74,397)	272	17,322	25,130
Profit for the period	1,202	661	-	661	-	-	-	541
Other comprehensive income for the period, net of tax	(4,205)	(3,066)	-	-	-	-	(3,066)	(1,139)
Total comprehensive income for the period	(3,003)	(2,405)	-	661	-	-	(3,066)	(598)
<u>Others</u>								
Appropriation to reserve	-	-	-	(72)	-	72	-	-
Total others	-	-	-	(72)	-	72	-	-
Closing balance at 31 December 2016	74,424	49,892	148,309	(38,620)	(74,397)	344	14,256	24,532

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, 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	
<b>Group</b>								
<b>9M2017</b>								
Opening balance at 1 April 2016	76,217	51,912	148,309	(41,842)	(74,397)	45	19,797	24,305
Profit for the period	5,775	3,521	-	3,521	-	-	-	2,254
Other comprehensive income for the period, net of tax	(7,568)	(5,541)	-	-	-	-	(5,541)	(2,027)
Total comprehensive income for the period	(1,793)	(2,020)	-	3,521	-	-	(5,541)	227
<u>Others</u>								
Appropriation to reserve	-	-	-	(299)	-	299	-	-
Total others	-	-	-	(299)	-	299	-	-
Closing balance at 31 December 2016	74,424	49,892	148,309	(38,620)	(74,397)	344	14,256	24,532



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

	Attributable to owners of the Company						Non-controlling interests HK\$'000
	Equity, total HK\$'000	Equity attributable to owners of the Company, HK\$'000	Share capital HK\$'000	Accumulated losses HK\$'000	Restructuring reserve HK\$'000	Foreign currency translation reserve HK\$'000	
<b>Group</b>							
<b>3Q2016</b>							
Opening balance at 1 October 2015	75,969	50,874	148,309	(43,793)	(74,397)	20,755	25,095
Profit for the period	2,219	1,408	-	1,408	-	-	811
Other comprehensive income for the period, net of tax	(2,150)	(1,597)	-	-	-	(1,597)	(553)
Total comprehensive income for the period	69	(189)	-	1,408	-	(1,597)	258
Closing balance at 31 December 2015	76,038	50,685	148,309	(42,385)	(74,397)	19,158	25,353

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

	Attributable to owners of the Company						Non-controlling interests HK\$'000
	Equity, total HK\$'000	Equity attributable to owners of the Company, HK\$'000	Share capital HK\$'000	Accumulated losses HK\$'000	Restructuring reserve HK\$'000	Foreign currency translation reserve HK\$'000	
<b>Group</b>							
<b>9M2016</b>							
Opening balance at 1 April 2015	70,040	44,761	145,057	(48,559)	(74,397)	22,660	25,279
Profit for the period	7,449	6,174	-	6,174	-	-	1,275
Other comprehensive income for the period, net of tax	(4,703)	(3,502)	-	-	-	(3,502)	(1,201)
Total comprehensive income for the period	2,746	2,672	-	6,174	-	(3,502)	74
<u>Contributions by and distributions to owners</u>							
Issuance of new ordinary shares	3,555	3,555	3,555	-	-	-	-
Share issuance expenses	(303)	(303)	(303)	-	-	-	-
Total transactions with the owners in their capacity as owners	3,252	3,252	3,252	-	-	-	-
Closing balance at 31 December 2015	76,038	50,685	148,309	(42,385)	(74,397)	19,158	25,353

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
<b>Company</b>				
<b>3Q2017</b>				
Opening balance at 1 October 2016	73,171	148,309	(86,313)	11,175
Loss for the period	(871)	-	(871)	-
Other comprehensive income for the period, net of tax	(3,034)	-	-	(3,034)
Total comprehensive income for the period	(3,905)	-	(871)	(3,034)
Closing balance at 31 December 2016	69,266	148,309	(87,184)	8,141
<b>Company</b>				
<b>3Q2016</b>				
Opening balance at 1 October 2015	81,213	148,309	(81,666)	14,570
Loss for the period	(1,352)	-	(1,352)	-
Other comprehensive income for the period, net of tax	(1,461)	-	-	(1,461)
Total comprehensive income for the period	(2,813)	-	(1,352)	(1,461)
Closing balance at 31 December 2015	78,400	148,309	(83,018)	13,109

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

	Equity, total HK\$'000	Share capital HK\$'000	Accumulated losses HK\$'000	translation reserve HK\$'000
<b>Company</b>				
<b>9M2017</b>				
Opening balance at 1 April 2016	77,551	148,309	(84,466)	13,708
Loss for the period	(2,718)	-	(2,718)	-
Other comprehensive income for the period, net of tax	(5,567)	-	-	(5,567)
Total comprehensive income for the period	(8,285)	-	(2,718)	(5,567)
Closing balance at 31 December 2016	69,266	148,309	(87,184)	8,141
<b>Company</b>				
<b>9M2016</b>				
Opening balance at 1 April 2015	81,979	145,057	(80,007)	16,929
Loss for the period	(3,011)	-	(3,011)	-
Other comprehensive income for the period, net of tax	(3,820)	-	-	(3,820)
Total comprehensive income for the period	(6,831)	-	(3,011)	(3,820)
<u>Contributions by and distributions to owners</u>				
Issuance of new ordinary shares	3,555	3,555	-	-
Share issuance expenses	(303)	(303)	-	-
Total transactions with the owners in their capacity as owners	3,252	3,252	-	-
Closing balance at 31 December 2015	78,400	148,309	(83,018)	13,109

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

	<b>Number of shares</b>	<b>Resultant issued and paid-up share capital (HK\$,000)</b>
Share capital as at 31 December 2016 and 30 September 2016	409,800,000	148,309

The Company had no outstanding convertibles or treasury shares 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 period.

- 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.**

	<b>As at 31 December 2016</b>	<b>As at 31 March 2016</b>
Total number of issued shares excluding treasury shares	409,800,000	409,800,000

The Company did not have any treasury shares as at 31 December 2016 and 31 March 2016.

- 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.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditors.

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

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group had consistently applied the same accounting policies and methods of computation in the Group's financial statements for the current financial period as compared with the most recently audited annual financial statements for the financial year ended 31 March 2016, except for the adoption of certain new or revised financial reporting standards ("FRS") and Interpretations to FRS ("INT FRS") which became mandatory from 1 April 2016. The adoption of these FRS and INT FRS 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			
		3Q2017	3Q2016	9M2017	9M2016
Profit for the period attributable to owners of the Group, after deducting non-controlling interests	HK\$'000	661	1,408	3,521	6,174
Earnings per share Basic	HK cents	0.16	0.35	0.86	1.54

Basic earnings per share for the 3Q2017 and 9M2017 are calculated based on weighted average number of shares issued of 409,800,000 (3Q2016 and 9M2016: 401,393,000) ordinary shares.

Diluted earnings per share are not presented as there were no potential dilutive securities in existence as at 31 December 2016 and 31 December 2015.

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 Dec 2016	31 Mar 2016	31 Dec 2016	31 Mar 2016
Net assets per ordinary share after deducting non-controlling interests, based on 409.8 million shares as at 31 December 2016 (31 March 2016: 409.8 million shares)	HK cents  12.17	HK cents  12.67	HK cents  16.90	HK cents  18.92

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

#### **Overall profit and loss**

As compared to the past comparative periods, our Group revenue declined by 21.1% in 3Q2017 and 1.9% in 9M2017 respectively. The decrease in 3Q2017 revenue was mainly due to the decrease in sales from our both In Mould Decoration and the Plastic Injection Parts ("IMD and Plastic Injection Parts") segment and Automobile Component Parts segment while the decrease in 9M2017 was mainly due to the decrease in sales from our Automobile Component Parts segment. In line with the decrease in 3Q2017 revenue, overall gross profit in 3Q2017 also decreased by 18.5% as compared to 3Q2016. Following higher production efficiency achieved by our Automobile Component Parts segment, overall gross profit in 9M2017 increased by 7.8% as compared to 9M2016.

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.

As compared to the past comparative periods, the total other items of income increased by 45.0% in 3Q2017 but decreased by 26.0% in 9M2017. The increase in other items of income in 3Q2017 was mainly attributed to the increase in net foreign exchange gain in 3Q2017 while the decrease in 9M2017 was mainly due to decrease in government grants related to income which was partially offset by the increases in rental income and net foreign exchange gain. The total other items of expense marginally decreased by 4.5% in 3Q2017 but increased by 11.2% in 9M2017. The increase in other items of expenses in 9M2017 was mainly due to the increase in employee benefit expenses in 9M2017.

Following the decrease in the chargeable income of the Group's entities in People's Republic of China ("PRC"), the income tax expense of the Group decreased from HK\$0.3 million in 3Q2016 to HK\$0.2 million in 3Q2017 and from HK\$0.3 million in 9M2016 to HK\$0.1 million in 9M2017 respectively. The decrease in 9M2017 income tax expense was also mainly due to the over-provision of income tax in the prior reporting periods following the finalisation with the local tax authorities.

Arising from the above, the Group recorded a net profit of HK\$1.2 million in 3Q2017 and HK\$5.8 million in 9M2017 as compared to HK\$2.2 million in 3Q2016 and HK\$7.4 million in 9M2017.

<b><u>Revenue and Gross Profit</u></b>	<b>IMD and Plastic Injection Parts (HK\$'000)</b>	<b>Automobile Component Parts (HK\$'000)</b>	<b>Total (HK\$'000)</b>
<b><u>Third quarter of the financial year</u></b>			
3Q2017 Revenue	9,847	39,831	49,678
3Q2016 Revenue	10,816	52,141	62,957
% change	(9.0)	(23.6)	(21.1)
3Q2017 Sales mix	19.8	80.2	100.0
3Q2016 Sales mix	17.2	82.8	100.0
3Q2017 Gross profit	2,751	6,208	8,959
3Q2016 Gross profit	3,564	7,430	10,994
% change	(22.8)	(16.4)	(18.5)
3Q2017 Gross profit margin	27.9%	15.6%	18.0%
3Q2016 Gross profit margin	33.0%	14.2%	17.5%
Percentage point difference	(5.1)	1.4	0.5
<b><u>First 9 months of the financial year</u></b>			
9M2017 Revenue	29,833	121,706	151,539
9M2016 Revenue	28,408	126,015	154,423
% change	5.0	(3.4)	(1.9)
9M2017 Sales mix	19.7	80.3	100.0
9M2016 Sales mix	18.4	81.6	100.0
9M2017 Gross profit	7,671	21,281	28,952
9M2016 Gross profit	7,433	19,431	26,864
% change	3.2	9.5	7.8
9M2017 Gross profit margin	25.7%	17.5%	19.1%
9M2016 Gross profit margin	26.2%	15.4%	17.4%
Percentage point difference	(0.5)	2.1	1.7

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

### **Revenue and Gross Profit**

As compared to the past comparative periods, Group revenue had declined by 21.1% in 3Q2017, from HK\$63.0 million in 3Q2016 to HK\$49.7 million in 3Q2017, and by 1.9%, from HK\$154.4 million in 9M2016 to HK\$151.5 million in 9M2017 respectively. The decrease in revenue in 3Q2017 was mainly due to the decrease in sales from our both IMD and Plastic Injection Parts segment and Automobile Component Parts segment while the decrease in revenue in 9M2017 was mainly due to the decrease in sales from our Automobile Component Parts segment. In line with the decrease in 3Q2017 revenue, overall gross profit also decreased by 18.5% in 3Q2017, from HK\$11.0 million in 3Q2016 to HK\$9.0 million in 3Q2017, and overall gross margin marginally improved to 18.0% in 3Q2017 as compared to 17.5% in 3Q2016.

Following higher production efficiency achieved by our Automobile Component Parts segment, overall gross profit increased by 7.8%, from HK\$26.9 million in 9M2016 to HK\$29.0 million in 9M2017. As such, overall gross margin improved from 17.4% in 9M2016 to 19.1% in 9M2017.

### **IMD and Plastic Injection Parts segment**

IMD revenue declined by 9.0% in 3Q2017, from HK\$10.8 million in 3Q2016 to HK\$9.8 million in 3Q2017, but increased by 5.0% in 9M2017, from HK\$28.4 million in 9M2016 to HK\$29.8 million in 9M2017, as compared to the past comparative periods. The decrease in our IMD revenue in 3Q2017 was mainly due to decrease in sales of IMD and plastic injection parts used for electrical appliances to the customers in the consumer electronics industry in 3Q2017. Following the decline in 3Q2017 revenue and lower capacity utilisation rate, gross margin of our IMD and Plastic Injection Parts segment also decreased from 33.0% in 3Q2016 to 27.9% in 3Q2017.

The increase in our IMD revenue in 9M2017 was mainly due to increase in sales of IMD and plastic injection parts used for electrical appliances in the first half of financial year 2017 as a result of early placement of orders from our customers in the consumer electronics industry. Despite the increase in sales, gross margin of our IMD and Plastic Injection Parts segment was slightly diluted as a result of outsourced production which generates lower margin and commenced in the second quarter of financial year 2017.

### **Automobile Component Parts Segment**

Revenue from our Automobile Component Parts segment decreased by 23.6% in 3Q2017, from HK\$52.1 million in 3Q2016 to HK\$39.8 million in 3Q2017, and by 3.4% in 9M2017, from HK\$126.0 million in 9M2016 to HK\$121.7 million, as compared to the past comparative periods. The decrease in revenue was mainly due to the sales of automobile component parts used in the older car models of Beijing Hyundai which had declined in 3Q2017 as Hyundai renews its product range. On the other hand, the sales of automobile component parts used in its newer car model recently introduced into the market, has yet to ramp up. In 3Q2017 and 9M2017, sales to our main customer, Beijing-Hyundai, accounted for approximately 75.6% and 78.6% of the Group's total revenue respectively (3Q2016: 83.5% and 9M2016: 81.4%).

Despite the decline in revenue, gross margin of our Automobile Component Parts segment improved from 14.2% in 3Q2016 and 15.4% in 9M2016 to 15.6% in 3Q2017 and 17.5% in 9M2017 respectively. The improvement on gross margin was mainly due to:

- (i) Implementation of efficient production processes and effective production planning to improve the production utilisation rate for both in-house and outsourced production following the expansion in production capabilities and installation of mechanical arms used to operate plastic injection machines in 4Q2016;
- (ii) Favourable sales mix with a lower proportion of automobile components supplied for the newer car model of Hyundai vehicles which has higher start-up costs and lower contribution margin; and



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- any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

(iii) Favourable material price reduction from our suppliers.

#### **Other items of income**

Interest income had decreased marginally by 4.8% in 3Q2017 but increased by 54.9% in 9M2017 as compared to the past comparative periods. The increase in interest income in 9M2017 was mainly due to the increase in interest income on our bank accounts and fixed deposits placed with the bank in PRC.

Other income increased by 51.1% from HK\$1.0 million in 3Q2016 to HK\$1.5 million in 3Q2017 but decreased by 29.2% from HK\$4.7 million in 9M2016 to HK\$3.3 million in 9M2017. The increase in other income in 3Q2017 was mainly due to increase in net foreign exchange gain of HK\$0.5 million in 3Q2017. The decrease in other income in 9M2017 was mainly due to decrease in government grants related to income of HK\$2.4 million, partially offset by the increases in rental income of HK\$0.9 million and net foreign exchange gain of HK\$0.8 million. The rental income arose from the subletting of excess floor space in our factories in Beijing and Shenzhen which was only commenced in October 2015. The exchange rate of RMB against Hong Kong dollars had depreciated by about 4.2% and 7.3% in 3Q2017 and 9M2017 respectively as compared to 2.1% in 3Q2016 and 4.6% in 9M2016, which resulted in exchange gains on the RMB denominated payable balances of our subsidiary in Hong Kong owing to our subsidiaries in PRC and British Virgin Islands.

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

Following the decline in revenue, selling and distribution expenses decreased by 14.3%, from HK\$2.9 million in 3Q2016 to HK\$2.5 million in 3Q2017, and by 6.3%, from HK\$7.9 million in 9M2016 to HK\$7.4 million in 9M2017 respectively. The decrease in selling and distribution expenses was also attributed to tighter cost control.

General and administrative expenses increased by 4.6%, from HK\$6.8 million in 3Q2016 to HK\$7.1 million in 3Q2017, and by 22.4%, from HK\$16.2 million in 9M2016 to HK\$19.8 million in 9M2017 respectively. The increase in general and administrative expenses in 3Q2017 and 9M2017 was mainly due to:

- i) Increase in employee benefit expenses of HK\$0.7 million in 3Q2017 and HK\$2.6 million in 9M2017 as compared to the past comparative periods. The increase was mainly arising from employee salary increments since the fourth quarter for the financial year ended 31 March 2016;
  - ii) Increase in corporate expenses of HK\$0.3 million in 9M2017 by our Singapore office as a result of increase in professional fees such as continuing sponsorship fee which was absent in 9M2016; and
  - iii) Increase in general and administrative expenses (excluding employee benefit expenses) by HK\$0.7 million in 9M2017 by both business segments mainly arisen from increases in travelling and transportation expenses and office expenses for administrative purposes; which was offset by the
- i) Decrease in research and product testing expenses of HK\$0.3 million in 3Q2017 as compared to 3Q2016.

Depreciation of property, plant and equipment decreased by 26.5% in 3Q2017 but marginally increased by 0.7% in 9M2017 as compared to the past comparative periods. Depreciation in 3Q2017 decreased as certain property, plant and equipment of in our IMD factory was fully depreciated in September 2016.

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:-**
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- any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Other credit increased from HK\$0.1 million in 3Q3016 to HK\$0.4 million in 3Q2017 and from HK\$0.1 million in 9M2016 to HK\$0.5 million in 9M2017 respectively. The increase in other credit was mainly due to a reversal of impairment loss on inventories of HK\$0.5 million from our IMD and Plastic Injection Parts segment in 3Q2017 and 9M2017 as compared to HK\$0.1 million from our Automobile Component Parts segment in 3Q2016 and 9M2016. The impairment loss on inventories provided for those slow moving inventories in the previous financial periods were reversed when such inventory costs had been realised in the income statement during the current financial period.

### **Taxation**

Income tax expense decreased from HK\$0.3 million in 3Q2016 and 9M2016 to HK\$0.2 million in 3Q2017 and HK\$0.1 million in 9M2017 respectively. The decrease income tax expense in 3Q2017 and 9M2017 was mainly due to decrease in the total chargeable income of the Group's entities in PRC. In addition, the Group had reversed an overprovision of income tax of HK\$0.5 million in 9M2017 following the finalisation of income tax assessment with the local tax authorities. Without considering reversal of overprovision in respect of prior years, the higher effective tax rate of current income taxation in 3Q2017 and 9M2017 was mainly due to lower proportion of profit generated from one of our subsidiaries in PRC which also utilised its prior year business losses carried forward to offset against.

### **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 financial statements of the Group. The exchange rate of RMB against Hong Kong dollars had depreciated by about 4.2% and 7.3% in 3Q2017 and 9M2017 respectively as compared to 2.1% in 3Q2016 and 4.6% in 9M2016.

### **Balance sheet**

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

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

- Depreciation charges to date of HK\$1.8 million; and
- Foreign translation loss of HK\$1.0 million; offset by
- Additions of HK\$2.2 million mainly relating to acquisition of plant and equipment and renovation works of factories from both business segments.

As at 31 December 2016, non-current prepayment comprised prepayments made for property, plant and equipment. The increase of HK\$1.2 million was mainly for the acquisition of plant and equipment from our Automobile Component Parts segment.

#### **Current assets**

Inventories decreased by 14.9% from HK\$26.7 million as at 31 March 2016 to HK\$22.8 million as at 31 December 2016. This was mainly due to decrease in automobile moulds which are used in the production of automobile components in Beijing. Consequently, inventory turnover days also decreased from 61 days as at 31 March 2016 to 51 days as at 31 December 2016.

Trade receivables and bill receivables of our Group as at 31 December 2016 had slightly decreased by 0.7% as compared to 31 March 2016 while the combined trade and bill receivable turnover days had also reduced to 79 days as at 31 December 2016 as compared to 81 days as at 31 March 2016.

Other receivables had decreased by 43.9% from HK\$3.8 million 31 March 2016 to HK\$2.1 million. The decrease in other receivables was mainly due to the decrease in receivables from the provision of raw

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.**

materials to sub-contractors for further processing of our automobile component products. These raw material receivables will generally be offset against the final sub-contracting charges which includes the cost of raw materials. The transaction is structured for better control to minimise over raw material wastage incurred by the sub-contractors.

Current prepayments mainly comprised prepayments made to suppliers and sub-contractors. The decrease of HK\$8.0 million subsequent to the receipt of goods and services from suppliers and sub-contractors from our Automobile Component Parts Segment and refund of prepayment upon cancellation of orders placed with suppliers previously.

#### Current Liabilities

Trade and other payables had slightly decreased by 3.6% as compared to 31 March 2016, mainly due to decrease in the production volume from our Automobile Component Parts segment. As such, the trade payable turnover days had also decreased from 106 days as at 31 March 2016 to 99 days as at 31 December 2016.

Following decrease in production volume from our Automobile Component Parts segment, other liabilities had also slightly decreased by 3.8% as compared to 31 March 2016.

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

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 decreased by HK\$4.8 million in 3Q2017 but increased by HK\$11.8 million in 9M2017.

In 3Q2017, the Group recorded net cash flows used in operating activities of HK\$2.5 million. This was mainly due to working capital outflow of HK\$2.0 million in 3Q2017, operating cash outflows before movements in working capital of HK\$0.5 million in 3Q2017 and income tax paid of HK\$0.2 million in 3Q2017. The 3Q2017 cash outflows were partially offset by interest received of HK\$0.1 million in 3Q2017. The working capital outflow in 3Q2017 was mainly arisen from decrease in trade and other payables of HK\$3.8 million and increase in prepayments of HK\$1.2 million, partially offset by decreases in inventories and trade and other receivables of HK\$2.0 million and HK\$1.1 million respectively.

In 9M2017, the Group recorded net cash generated from operating activities of HK\$15.4 million in 9M2017. This was mainly due to working capital inflow of HK\$12.4 million in 9M2017, operating cash inflows before movements in working capital of HK\$3.4 million in 9M2017 and interest received of HK\$0.3 million in 9M2017. The 9M2017 cash inflows were partially offset by income tax paid of HK\$0.7 million in 9M2017.

The Group utilised HK\$2.3 million in 3Q2017 and HK\$3.6 million in 9M2017 in investing activities mainly relating to purchase of plant and equipment and renovation works of factories. There was no cash utilised or generated from financing activities during the financial period reported on.

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 automobile and consumer electronics market in PRC. Given the lacklustre Chinese economy's performance in 2017, we expect business conditions to remain challenging. In addition, there are continuing uncertainties over the strength of the global economy resulting in a more volatile and unstable business environment.

For our Automobile Component Parts segment, we will further streamline our internal production processes by upgrading the plastic injection servo system and installing auxiliary facilities. The order flow of our Automobile Component Parts segment remains healthy with average monthly revenue of approximately HK\$13.5 million and the dependency on the sales to Beijing Hyundai has been reducing. We will continue to increasing and diversifying our customer base as well as secure more orders from our existing customers.

For our IMD and Plastic Injection Parts segment, we will continue to improve and restructure the existing operation through better leverage of our core business strength and strengthen collaboration with our existing business partners as well as exploring other new products range and sales channel with stronger scalability and sustainability .

As at the date of this announcement, the Group is still in the process of negotiation with the potential party for the business collaboration of water treatment to produce electrolysed water products. The Company would provide updates as and when appropriate.

The Company will also continue to assess other new potential business opportunities 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.

	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
<b>Shenzhen Kunda Precision Mould Co., Ltd <sup>(1)</sup> ("Shenzhen Precision")</b>		
Rental of factory premises at Bao Long Yi Road, Shenzhen	663	-
<b>Total</b>	<b>663</b>	<b>-</b>

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 Directors, Yang Jinbiao and 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 Listing Manual**

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the financial period ended 31 December 2016 to be false or misleading in any material aspect.

**On Behalf of the Board of Directors**

**Cai Kaoqun**  
Executive Chairman and CEO  
7 February 2017  
Singapore

**Yang Jinbiao**  
Executive Director and COO

**BY ORDER OF THE BOARD**  
**CAI KAOQUN**  
**EXECUTIVE CHAIRMAN AND CEO**  
7 February 2017