



CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

Company registration number: 200712727W

Unaudited Financial Statements for the Financial Period ended 30 September 2017

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.

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PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

	Note	Group (HK\$'000) 3 months ended		Change %	Group (HK\$'000) 6 months ended		Change %
		30-Sep-17 ("2Q2018")	30-Sep-16 ("2Q2017")		30-Sep-17 ("1H2018")	30-Sep-16 ("1H2017")	
Consolidated Income Statement							
Revenue		36,979	46,000	(19.6)	62,206	101,861	(38.9)
Cost of sales		(29,344)	(36,033)	(18.6)	(50,066)	(81,868)	(38.8)
Gross profit		7,635	9,967	(23.4)	12,140	19,993	(39.3)
Other items of income							
Interest income		184	108	70.4	229	166	38.0
Other income	1	89	558	(84.1)	193	1,795	(89.2)
Other items of expense							
Selling and distribution expenses		(1,637)	(2,210)	(25.9)	(3,013)	(4,864)	(38.1)
General and administrative expenses		(6,467)	(7,126)	(9.2)	(11,401)	(12,710)	(10.3)
Other (charges)/credit	2	(555)	107	n.m.	(1,054)	111	n.m.
(Loss)/Profit before taxation	3	(751)	1,404	n.m.	(2,906)	4,491	n.m.
Income tax credit	4	-	33	n.m.	-	82	n.m.
(Loss)/Profit for the period		(751)	1,437	n.m.	(2,906)	4,573	n.m.
Attributable to:							
Owners of the Company		(256)	607	n.m.	(1,849)	2,860	n.m.
Non-controlling interests		(495)	830	n.m.	(1,057)	1,713	n.m.
		(751)	1,437	n.m.	(2,906)	4,573	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			Group		
	2Q2018	2Q2017	Change	1H2018	1H2017	Change
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
(Loss)/Profit for the period	(751)	1,437	n.m.	(2,906)	4,573	n.m.
Other comprehensive income:						
Items that may be subsequently reclassified to profit & loss:						
Foreign currency translation	1,977	(359)	n.m.	3,974	(3,363)	n.m.
Other comprehensive income for the period, net of tax	1,977	(359)	n.m.	3,974	(3,363)	n.m.
Total comprehensive income for the period	1,226	1,078	13.7	1,068	1,210	(11.7)
Attributable to:						
Owners of the Company	1,263	346	265.0	986	385	156.1
Non-controlling interests	(37)	732	n.m.	82	825	(90.1)
Total comprehensive income for the period	1,226	1,078	13.7	1,068	1,210	(11.7)
Note 1 – Other income						
Sale of raw materials/ scrap materials	49	3	n.m.	54	67	(19.4)
Gain on disposal of property, plant and equipment	39	20	95.0	39	28	39.3
Government grants related to income	-	-	n.m.	2	25	(92.0)
Net foreign exchange gain	-	87	n.m.	-	876	n.m.
Rental income	1	448	(99.8)	98	799	(87.7)
	89	558	(84.1)	193	1,795	(89.2)
Note 2 – Other charges/(credit)						
Net foreign exchange loss	557	-	n.m.	1,102	-	n.m.
Reversal of impairment loss on inventories	(2)	(107)	(98.1)	(48)	(111)	(56.8)
	555	(107)	n.m.	1,054	(111)	n.m.
Note 3 – (Loss)/Profit before taxation						
This is determined after charging the following:						
Depreciation of property, plant and equipment	839	606	38.4	1,610	1,262	27.6
Research and product testing expenses	481	928	(48.2)	833	1,272	(34.5)
Note 4 – Income tax credit						
Current income taxation	-	190	n.m.	-	441	n.m.
Overprovision in respect of prior years	-	(223)	n.m.	-	(523)	n.m.
Income tax credit	-	(33)	n.m.	-	(82)	n.m.

n.m. - not meaningful

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

	Note	Group As at 30-Sep-17 HK\$'000	Group As at 31-Mar-17 HK\$'000	Company As at 30-Sep-17 HK\$'000	Company As at 31-Mar-17 HK\$'000
<u>Non-current assets</u>					
Investment in subsidiaries		-	-	45,868	44,071
Property, plant and equipment		15,639	14,673	-	-
Prepayments		61	890	-	-
Total non-current assets		15,700	15,563	45,868	44,071
<u>Current assets</u>					
Inventories	1	24,191	23,035	-	-
Trade and other receivables	2	36,489	41,308	-	-
Prepayments		2,194	3,479	48	65
Amount due from related parties		-	-	24,434	25,370
Cash and bank balances		87,784	43,092	432	1,309
Total current assets		150,658	110,914	24,914	26,744
Total Assets		166,358	126,477	70,782	70,815
<u>Current liabilities</u>					
Trade and other payables		39,983	39,303	-	-
Other liabilities		50,775	12,280	907	1,879
Amount due to related parties		266	323	-	-
Deferred government grants		188	181	-	-
Provision for taxation		14	326	-	-
Total current liabilities		91,226	52,413	907	1,879
Net current assets		59,432	58,501	24,007	24,865
Total liabilities		91,226	52,413	907	1,879
Net assets		75,132	74,064	69,875	68,936
<u>Equity attributable to owners of the Company</u>					
Share capital		148,309	148,309	148,309	148,309
Accumulated losses		(40,122)	(38,417)	(90,209)	(88,370)
Restructuring reserve		(74,397)	(74,397)	-	-
Statutory reserve		279	423	-	-
Foreign currency translation reserve		18,019	15,184	11,775	8,997
		52,088	51,102	69,875	68,936
Non-controlling interests		23,044	22,962	-	-
Total equity		75,132	74,064	69,875	68,936
Total equity and liabilities		166,358	126,477	70,782	70,815

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

	Group As at 30-Sep-17 HK\$'000	Group As at 31-Mar-17 HK\$'000
Note 1 – Inventories		
Raw materials	3,636	4,783
Work in progress	1,642	1,484
Finished goods	18,913	16,768
	<u>24,191</u>	<u>23,035</u>

Note 2 – Trade and other receivables

Trade receivables	32,667	36,140
Bill receivables	1,925	3,069
Other receivables	1,897	2,099
	<u>36,489</u>	<u>41,308</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 30 September 2017		As at 31 March 2017	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

(In HK\$'000)

As at 30 September 2017		As at 31 March 2017	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The Group does not have any bank borrowings or debt securities as at 30 September 2017 and 31 March 2017.

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)	
	2Q2018	2Q2017	1H2018	1H2017
Operating activities				
(Loss)/Profit before tax	(751)	1,404	(2,906)	4,491
Adjustments for:				
Depreciation of property, plant and equipment	839	606	1,610	1,262
Reversal of impairment loss on inventories	(2)	(107)	(48)	(111)
Gain on disposal of property, plant and equipment	(39)	(20)	(39)	(28)
Interest income	(184)	(108)	(229)	(166)
Translation differences	102	(261)	891	(1,587)
Operating cash flows before working capital changes	(35)	1,514	(721)	3,861
(Increase)/decrease in:				
Trade and other receivables	(3,417)	4,560	4,819	908
Inventories	(2,755)	562	(1,108)	2,544
Prepayments	370	(456)	1,285	8,930
Amount due from related parties, net	(261)	(341)	(57)	(87)
Increase/(decrease) in:				
Trade and other payables	5,984	(2,631)	670	2,270
Other liabilities	39,939	(309)	38,495	(170)
Cash flows generated from operations	39,825	2,899	43,383	18,256
Interest received	184	108	229	166
Income tax paid	(4)	(36)	(318)	(485)
Net cash flows generated from operating activities	40,005	2,971	43,294	17,937
Investing activities				
Purchase of property, plant and equipment A	(114)	(545)	(1,144)	(1,397)
Proceeds from disposal of property, plant and equipment	39	20	39	28
Net cash flows used in investing activities	(75)	(525)	(1,105)	(1,369)
Net increase in cash and cash equivalents	39,930	2,446	42,189	16,568
Effect of exchange rate changes on cash and cash equivalents	1,596	(51)	2,503	(1,337)
Cash and cash equivalents at beginning of financial period	46,258	47,449	43,092	34,613
Cash and cash equivalents at end of financial period	87,784	49,844	87,784	49,844

- 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)	
2Q2018	2Q2017	1H2018	1H2017

Note A:

Cash outflow on purchase of property, plant and equipment:

Aggregate cost of property, plant and equipment acquired	330	380	1,983	393
Add: Payment for prior years acquisitions	-	-	49	213
Add/(Less): Outstanding payments	54	167	(59)	(12)
(Less)/Add: Movement of prepayments made	(270)	(2)	(829)	803
Cash payments made to acquire property, plant and equipment	<u>114</u>	<u>545</u>	<u>1,144</u>	<u>1,397</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							
		Equity attributable to owners of the	Share	Accumulated	Restructuring	Statutory	Foreign currency translation	Non- controlling
	Equity, total HK\$'000	Company, total HK\$'000	capital HK\$'000	losses HK\$'000	reserve HK\$'000	reserve HK\$'000	reserve HK\$'000	interests HK\$'000
Group								
2Q2018								
Opening balance at 1 July 2017	73,906	50,825	148,309	(39,932)	(74,397)	345	16,500	23,081
Loss for the period	(751)	(256)	-	(256)	-	-	-	(495)
Other comprehensive income for the period, net of tax	1,977	1,519	-	-	-	-	1,519	458
Total comprehensive income for the period	1,226	1,263	-	(256)	-	-	1,519	(37)
<u>Others</u>								
Appropriation to reserve	-	-	-	66	-	(66)	-	-
Total others	-	-	-	66	-	(66)	-	-
Closing balance at 30 September 2017	75,132	52,088	148,309	(40,122)	(74,397)	279	18,019	23,044

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	
Group								
1H2018								
Opening balance at 1 April 2017	74,064	51,102	148,309	(38,417)	(74,397)	423	15,184	22,962
Loss for the period	(2,906)	(1,849)	-	(1,849)	-	-	-	(1,057)
Other comprehensive income for the period, net of tax	3,974	2,835	-	-	-	-	2,835	1,139
Total comprehensive income for the period	1,068	986	-	(1,849)	-	-	2,835	82
<u>Others</u>								
Appropriation to reserve	-	-	-	144	-	(144)	-	-
Total others	-	-	-	144	-	(144)	-	-
Closing balance at 30 September 2017	75,132	52,088	148,309	(40,122)	(74,397)	279	18,019	23,044

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 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	
Group								
2Q2017								
Opening balance at 1 July 2016	76,349	51,951	148,309	(39,706)	(74,397)	162	17,583	24,398
Profit for the period	1,437	607	-	607	-	-	-	830
Other comprehensive income for the period, net of tax	(359)	(261)	-	-	-	-	(261)	(98)
Total comprehensive income for the period	1,078	346	-	607	-	-	(261)	732
<u>Others</u>								
Appropriation to reserve	-	-	-	(110)	-	110	-	-
Total others	-	-	-	(110)	-	110	-	-
Closing balance at 30 September 2016	77,427	52,297	148,309	(39,209)	(74,397)	272	17,322	25,130

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	
Group								
1H2017								
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	4,573	2,860	-	2,860	-	-	-	1,713
Other comprehensive income for the period, net of tax	(3,363)	(2,475)	-	-	-	-	(2,475)	(888)
Total comprehensive income for the period	1,210	385	-	2,860	-	-	(2,475)	825
<u>Others</u>								
Appropriation to reserve	-	-	-	(227)	-	227	-	-
Total others	-	-	-	(227)	-	227	-	-
Closing balance at 30 September 2016	77,427	52,297	148,309	(39,209)	(74,397)	272	17,322	25,130

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				
2Q2018				
Opening balance at 1 July 2017	69,444	148,309	(89,266)	10,401
Loss for the period	(943)	-	(943)	-
Other comprehensive income for the period, net of tax	1,374	-	-	1,374
Total comprehensive income for the period	431	-	(943)	1,374
Closing balance at 30 September 2017	69,875	148,309	(90,209)	11,775
Company				
2Q2017				
Opening balance at 1 July 2016	74,403	148,309	(85,353)	11,447
Loss for the period	(960)	-	(960)	-
Other comprehensive income for the period, net of tax	(272)	-	-	(272)
Total comprehensive income for the period	(1,232)	-	(960)	(272)
Closing balance at 30 September 2016	73,171	148,309	(86,313)	11,175

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				
1H2018				
Opening balance at 1 April 2017	68,936	148,309	(88,370)	8,997
Loss for the period	(1,839)	-	(1,839)	-
Other comprehensive income for the period, net of tax	2,778	-	-	2,778
Total comprehensive income for the period	939	-	(1,839)	2,778
Closing balance at 30 September 2017	69,875	148,309	(90,209)	11,775
Company				
1H2017				
Opening balance at 1 April 2016	77,551	148,309	(84,466)	13,708
Loss for the period	(1,847)	-	(1,847)	-
Other comprehensive income for the period, net of tax	(2,533)	-	-	(2,533)
Total comprehensive income for the period	(4,380)	-	(1,847)	(2,533)
Closing balance at 30 September 2016	73,171	148,309	(86,313)	11,175

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

	Number of shares	Resultant issued and paid-up share capital (HK\$,000)
Share capital as at 30 September 2017 and 30 June 2017	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 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.**

	As at 30 September 2017	As at 31 March 2017
Total number of issued shares excluding treasury shares	409,800,000	409,800,000

The Company did not have any treasury shares as at 30 September 2017 and 31 March 2017.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable, as the Company did not have any treasury shares as at the end of the current financial period reported on.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable, as the Company did not have any subsidiary holdings as at the end of the current financial period reported on.

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

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

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

Not applicable.

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

The Group had 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 2017, 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 2017. 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			
		2Q2018	2Q2017	1H2018	1H2017
(Loss)/Profit for the period attributable to owners of the Group, after deducting any provision for preference dividends and non-controlling interests	HK\$'000	(256)	607	(1,849)	2,860
(Loss)/Earnings per share Basic	HK cents	(0.06)	0.15	(0.45)	0.70

Basic earnings per share for the 2Q2018 and 1H2018 are calculated based on weighted average number of shares issued of 409,800,000 (2Q2017 and 1H2017: 409,800,000) .

Diluted earnings per share are not presented as there were no potential dilutive securities as at 30 September 2017 and 30 September 2016.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30 Sep 2017	31 Mar 2017	30 Sep 2017	31 Mar 2017
Net assets per ordinary share after deducting non-controlling interests, based on 409.8 million shares as at 30 September 2017 (31 March 2017: 409.8 million shares)	HK cents 12.71	HK cents 12.47	HK cents 17.05	HK cents 16.82

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.

Financial period from 1 July 2017 to 30 September 2017 ("2Q2018") vs 1 July 2016 to 30 September 2016 ("2Q2017")

Revenue and Gross Profit

Second quarter of the financial year (HK\$'000)	IMD and Plastic Injection Parts	Automobile Component Parts	Total
2Q2018 Revenue	12,822	24,157	36,979
2Q2017 Revenue	11,075	34,925	46,000
% change	15.8	(30.8)	(19.6)
2Q2018 Sales mix	34.7%	65.3%	100.0%
2Q2017 Sales mix	24.1%	75.9%	100.0%
2Q2018 Gross profit	4,074	3,561	7,635
2Q2017 Gross profit	2,512	7,455	9,967
% change	62.2	(52.2)	(23.4)
2Q2018 Gross profit margin	31.8%	14.7%	20.6%
2Q2017 Gross profit margin	22.7%	21.3%	21.7%
Percentage point difference	9.1	(6.6)	(1.1)

As tabulated above, our Group's revenue in 2Q2018 decreased by 19.6% from 2Q2017, mainly due to decrease in sales from our Automobile Component Parts segment, offset by the increase in sales from our In Mould Decoration and the Plastic Parts segment ("**IMD and Plastic Injection Parts segment**"). Following the decrease in revenue, overall gross profit in 2Q2018 decreased by 23.4% as compared to 2Q2017, arising from lower gross profit margin from the Automobile Parts Segment.

IMD and Plastic Injection Parts Segment

Revenue increased by 15.8% in 2Q2018 as compared to 2Q2017, mainly due to increase in sales of IMD and plastic injection parts used for consumer electrical products in 2Q2018, which contributed higher margins. The improvement was also attributed to improvement in material utilisation rate and tighter cost control. Thus the gross margin improved from 22.7% in 2Q2017 to 31.8% in 2Q2018.

Automobile Component Parts Segment

Revenue decreased by 30.8% in 2Q2018 as compared to 2Q2017 mainly due to the decrease in sales of automobile components used for Hyundai vehicles in tandem with lower sales of Hyundai vehicles in People's Republic of China ("**PRC**") in 2Q2018. Comparing the two sequential financial quarters, the Group recorded a 44.0% increase in revenue, from HK\$16.8 million in the first quarter of this financial year ("**1Q2018**") to HK\$24.2 million in 2Q2018, mainly due to the increase in revenue to our main customer, Beijing Hyundai as a result of the promotional activities carried out by Beijing Hyundai in 2Q2018. As a result of the scaling down, the Group expects that the orders of automobile component parts from Beijing Hyundai would be gradually decreased. Direct and indirect sales to Beijing-Hyundai accounted for approximately 57.6% of the Group's total revenue in 2Q2018 (2Q2017: 76.6%). Following the decline in revenue and lower capacity utilization rate, gross margin of our Automobile Component Parts segment also decreased from 21.3% in 2Q2017 to 14.7% in 2Q2018.

Other items of income

The increase in interest income was mainly due to the increase in our bank account balances and fixed deposits placed with the bank in PRC.

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.

Decrease in other income in 2Q2018 was mainly due to the decrease in rental income, mainly due to the termination of sublease arrangement by the tenants during the first quarter of this financial year.

Other items of expense

Selling and distribution expenses decreased by 25.9% in 2Q2018 as compared to 2Q2017, mainly due to the decrease in expenses arising from the lower revenue from the Automobile Component Parts segment.

General and administrative expenses decreased by 9.2% in 2Q2018 as compared to 2Q2017, mainly due to cost-saving measures.

Depreciation of property, plant and equipment increased by 38.4% in 2Q2018, mainly arising from property, plant and equipment newly acquired since the third quarter of the previous financial year.

The Group recorded other charges of HK\$0.6 million, mainly attributed to the foreign exchange loss on the intercompany balances between the subsidiaries within the Group. The foreign exchange difference arose mainly from the RMB denominated payable balances of our subsidiary in Hong Kong owing to our subsidiaries in PRC and British Virgin Islands. In 2Q2018, the Hong Kong dollars against Reminbi ("RMB") had depreciated by approximately 2.0% as compared to an appreciation of 0.4% in 2Q2017.

Arising from the above, the Group recorded a net loss of HK\$0.8 million in 2Q2018 as compared to a net profit of HK\$1.4 million in 2Q2017.

Financial period from 1 April 2017 to 30 September 2017 ("1H2018") vs 1 April 2016 to 30 September 2016 ("1H2017")

Revenue and Gross Profit

First half of the financial year (HK\$'000)	IMD and Plastic Injection Parts	Automobile Component Parts	Total
1H2018 Revenue	21,274	40,932	62,206
1H2017 Revenue	19,986	81,875	101,861
% change	6.4	(50.0)	(38.9)
1H2018 Sales mix	34.2%	65.8%	100.0%
1H2017 Sales mix	19.6%	80.4%	100.0%
1H2018 Gross profit	6,708	5,432	12,140
1H2017 Gross profit	4,920	15,073	19,993
% change	36.3	(64.0)	(39.3)
1H2018 Gross profit margin	31.5%	13.3%	19.5%
1H2017 Gross profit margin	24.6%	18.4%	19.6%
Percentage point difference	6.9	(5.1)	(0.1)

As tabulated above, our Group revenue in 1H2018 decreased by 38.9% as compared to 1H2017, mainly due to decrease in sales from our Automobile Component Parts segment, offset by increase in sales from our IMD and Plastic Injection Parts segment. Following the decrease in revenue, overall gross profit in 1H2018 also decreased by 39.3% as compared to 1H2017.

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.**

IMD and Plastic Injection Parts Segment

Revenue increased by 6.4% in 1H2018 from 1H2017, mainly due to increase in sales of IMD and plastic injection parts used for consumer electrical products in 1H2018, which contributed higher margins. The improvement was also attributed to improvement in material utilisation rate and tighter cost control. Thus, the gross margin improved from 24.6% in 1H2017 to 31.5% in 1H2018.

Automobile Component Parts Segment

Revenue decreased by 50.0% in 1H2018 as compared to 1H2017, mainly due to the decrease in sales of automobile components used for Hyundai vehicles in tandem with lower sales of Hyundai vehicles in People's Republic of China ("PRC") in 1H2018. Direct and indirect sales to our main customer Beijing-Hyundai accounted for approximately 61.0% of the Group's total revenue in 1H2018 (1H2017: 80.1%). Following the decline in revenue and lower capacity utilization rate, gross margin of our Automobile Component Parts segment also decreased from 18.4% in 1H2017 to 13.3% in 1H2018.

Other items of income

The increase in interest income was mainly due to the increase in our bank account balances and fixed deposits placed with the bank in PRC.

Decrease in other income in 1H2018 was mainly due to the absence of net foreign exchange gains and decrease in rental income. The foreign exchange difference arose mainly from the RMB denominated payable balances of our subsidiary in Hong Kong owing to our subsidiaries in PRC and British Virgin Islands. In 1H2018, the Hong Kong dollars against Reminbi ("RMB") had depreciated by approximately 4.1% as compared to an appreciation of 3.3% in 1H2017, which had resulted foreign exchange loss (recorded under "Other Charges" in the consolidated income statement). The decrease in rental income was mainly due to the termination of sublease arrangement by the tenants during the first quarter of this financial year.

Other items of expense

Selling and distribution expenses decreased by 38.1% in 1H2018 as compared to 1H2017, mainly due to the decrease in expenses arising from the lower revenue from the Automobile Component Parts segment.

General and administrative expenses decreased by 10.3% in 1H2018 as compared to 1H2017, mainly due to cost-saving measures.

Depreciation of property, plant and equipment increased by 27.6% in 1H2018, mainly arising from property, plant and equipment newly acquired since the third quarter of the previous financial year.

The Group recorded other charges of HK\$1.1 million, mainly attributed to the abovementioned foreign exchange loss on the intercompany balances between the subsidiaries within the Group during 1H2018.

Arising from the above, the Group recorded a net loss of HK\$2.9 million in 1H2018 as compared to a net profit of HK\$4.6 million in 1H2017.

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 RMB to Hong Kong dollars when consolidating the financial statements of the Group.

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.

Balance sheet

Non-current assets

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

- Additions of HK\$2.0 million mainly relating to acquisition of machine upgrades and machineries from the Automobile Component Parts segment which were mostly capitalised in the first quarter of this financial year, and motor vehicle from the IMD and Plastic Injection Parts segment; and
- Foreign translation gain of HK\$0.6 million; offset by
- Depreciation charges to date of HK\$1.6 million.

The decrease in non-current prepayment was mainly due to decrease in prepayment made for the plastic machineries which purchases were completed during the financial period reported on.

Current assets

Inventories as at 30 September 2017 increased by 5.0% as compared to 31 March 2017 mainly due to increase in automobile moulds which were completed in 1H2018 from our Automobile Component Parts segment. As at 30 September 2017, inventory turnover days increased to 88 days as at 30 September 2017 from 57 days as at 31 March 2017 .

Trade receivables and bill receivables of our Group as at 30 September 2017 decreased by 11.8% as compared to 31 March 2017 mainly due to declining revenue from the Automobile Component Parts segment. Combined trade and bill receivable turnover days increased from 77 days as at 31 March 2017 to 102 days as at 30 September 2017, mainly due to slower repayment from our automobile component customers.

Current prepayments mainly comprised prepayments made to suppliers and sub-contractors which decreased upon the receipt of goods and services from the suppliers and subcontractors from our Automobile Component Parts segment.

Current Liabilities

Trade and other payables increased slightly by 1.7% as at 30 September 2017 as compared to 31 March 2017, mainly due to increase in payable balances for the moulds completed from Automobile Component Parts Segment during the financial period reported on. As such, trade payable turnover days increased from 91 days as at 31 March 2017 to 125 days as at 30 September 2017.

Other liabilities as at 30 September 2017 increased by 313.5% as compared to 31 March 2017, mainly due to increase in advances received of HK\$36.6 million from our major automobile component customers in September 2017 as down payment of the automobile moulds and certain machineries to be disposed of in the third quarter of this financial year ("**Advances Received**").

The decrease in amount due to related parties was mainly due to repayment made to the related parties during the financial period reported on.

The decrease in provision for income taxation was mainly due to income tax payment made during the financial period reported on.

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

Financial period from 1 July 2017 to 30 September 2017 ("2Q2018") vs 1 July 2016 to 30 September 2016 ("2Q2017")

The Group's cash and cash equivalents increased by HK\$39.9 million in 2Q2018. In 2Q2018, the Group recorded net cash generated from operating activities of \$40.0 million. This was mainly due to working capital inflow of HK\$39.9 million and interest received of HK\$0.2 million.

The working capital inflow in 2Q2018 was mainly arisen from increases in other liabilities from Advances Received and trade and other payables of HK\$39.9 million and HK\$6.0 million respectively and decrease in prepayments of HK\$0.4 million, partially offset by increases in inventories and trade and other receivables of HK\$3.4 million and HK\$2.8 million respectively and decrease in amount due to related parties of HK\$0.3 million.

The Group utilised HK\$0.1 million in 2Q2018 in investing activities mainly relating to acquisition of property, plant and equipment.

There was no cash utilised or generated from financing activities.

Financial period from 1 April 2017 to 30 September 2017 ("1H2018") vs 1 April 2016 to 30 September 2016 ("1H2017")

The Group's cash and cash equivalents increased by HK\$42.2 million in 1H2018. In 1H2018, the Group recorded net cash generated from operating activities of \$43.3 million. This was mainly due to working capital inflow of HK\$44.1 million and interest received of HK\$0.2 million, offset set by operating cash outflows before movements in working capital of HK\$0.7 million and income tax paid of HK\$0.3 million.

The working capital inflow in 1H2018 was mainly arisen from increases in other liabilities and trade and other payables of HK\$38.5 million and HK\$0.7 million respectively and decreases in trade and other receivables and prepayments of HK\$4.8 million and HK\$1.3 million respectively, partially offset by increases in inventories of HK\$1.1 million and decrease in amount due to related parties of HK\$0.1 million.

The Group utilised HK\$1.1 million in 1H2018 in investing activities mainly relating to acquisition of property, plant and equipment.

There was no cash utilised or generated from financing activities.

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

No forecast or prospect statement has been previously issued.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group's current business is largely contributed by automobile and consumer electronics market in PRC. We expect business conditions to remain challenging as continuing uncertainties over the strength of the PRC economy prevails leading to a volatile business environment.

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.

On 14 August 2017, the Group had commenced to undertake the closure of the automobile component production facility in Beijing (“**Production Closure**”). The Production Closure is expected to be completed in the second half of the financial year after the fulfilment of current outstanding orders to our automobile component customers. As at the date of this announcement, the Group is still in the process of negotiating with the stakeholders for the Production Closure to minimize any adverse impact to the Group’s financial results for the financial year ending 31 March 2018. As such, the financial impacts of the Production Closure including the associated liabilities, have yet to be finalised at this stage.

For our IMD and Plastic Injection segment, the financial performance was relatively stable with the revenue growth of 6.5% and the improvement on gross margin from 24.6% in 1H2017 to 31.5% in 1H2018. Barring unforeseen circumstances, the Group is cautiously optimistic that the financial performance of our IMD and Plastic Injection segment will remained relatively stable in the second half of the financial year. We will continue to improve the existing operations 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.

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

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared or recommended.

13. Interested person transactions

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

Shenzhen Kunda Precision Mould Co., Ltd ⁽¹⁾ ("Shenzhen Precision")	Aggregate value of all interested person transactions during financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) HK\$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) HK\$'000
Rental of factory premises at Bao Long Yi Road, Shenzhen	446	-
Total	446	-

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 30 September 2017 to be false or misleading in any material aspect.

On Behalf of the Board of Directors

Cai Kaoqun
Executive Chairman and CEO

Yang Jinbiao
Executive Director and COO

BY ORDER OF THE BOARD
CAI KAOQUN
EXECUTIVE CHAIRMAN AND CEO
6 November 2017