



CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

Company registration number: 200712727W

Financial Statements for the financial period ended 30 June 2014

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.

	Group (HK\$'000)		Change %
	3 months ended 30-Jun-14 ("1Q2015")	3 months ended 30-Jun-13 ("1Q2014")	
Continuing operations			
Revenue	76,378	68,452	11.6
Cost of sales	(65,127)	(59,727)	9.0
Gross profit	11,251	8,725	29.0
Other items of income			
Interest income (Note 1)	334	1,041	(67.9)
Other income (Note 2)	210	374	(43.9)
Other items of expense			
Selling and distribution expenses	(3,833)	(3,983)	(3.8)
General and administrative expenses	(11,263)	(9,956)	13.1
Finance costs (Note 3)	(562)	(1,264)	(55.5)
Other expenses (Note 4)	(936)	(775)	20.8
Loss before tax from continuing operations (Note 5)	(4,799)	(5,838)	(17.8)
Income tax (expense)/credit (Note 6)	-	(599)	(100.0)
Loss from continuing operations, net of tax	(4,799)	(6,437)	(25.4)
Discontinued operation			
Loss from discontinued operation, net of tax	(301)	(453)	(33.6)
Loss for the period	(5,100)	(6,890)	(26.0)
Attributable to:			
Owners of the Company			
- Loss from continuing operations, net of tax	(5,084)	(6,379)	(20.3)
- Loss from discontinued operation, net of tax	(218)	(272)	(19.9)
Loss for the period attributable to owners of the Company	(5,302)	(6,651)	(20.3)
Non-controlling interests			
- Profit/(Loss) from continuing operations, net of tax	285	(58)	n.m.
- Loss from discontinued operation, net of tax	(83)	(181)	(54.1)
Profit/(Loss) for the period attributable to non-controlling interests	202	(239)	n.m.

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

	Group		
	1Q2015 HK\$'000	1Q2014 HK\$'000	Change %
Loss for the period	(5,100)	(6,890)	(26.0)
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss:			
Foreign currency translation (Note 7)	471	2,607	(81.9)
Other comprehensive income for the period, net of tax	<u>471</u>	<u>2,607</u>	(81.9)
Total comprehensive income for the period	<u><u>(4,629)</u></u>	<u><u>(4,283)</u></u>	8.1
Attributable to:			
Owners of the Company	(4,871)	(4,583)	6.3
Non-controlling interests	242	300	(19.3)
Total comprehensive income for the period	<u><u>(4,629)</u></u>	<u><u>(4,283)</u></u>	8.1
Attributable to:			
Owners of the Company			
Total comprehensive income from continuing operations, net of tax	(4,691)	(4,779)	(1.8)
Total comprehensive income from discontinued operations, net of tax	<u>(180)</u>	<u>196</u>	n.m.
Total comprehensive income for the period attributable to owners of the Company	<u><u>(4,871)</u></u>	<u><u>(4,583)</u></u>	6.3

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		
	1Q2015 HK\$'000	1Q2014 HK\$'000	Change %
Note 1 – Interest income			
Late penalty charges and interest income from Shenzhen Precision	-	976	(100.0)
Interest income from bank and other receivables	334	65	413.8
Interest income from bank and receivables	<u>334</u>	<u>1,041</u>	(67.9)
Note 2 – Other income			
Sale of raw materials/ scrap materials	161	256	(37.1)
Gain on disposal of property, plant and equipment	49	92	(46.7)
Others	-	26	(100.0)
	<u>210</u>	<u>374</u>	(43.9)
Note 3 – Finance costs			
Interest expense on borrowings	562	1,264	(55.5)
Note 4 – Other expenses			
Net foreign exchange loss	179	637	(71.9)
Collection of previously impaired trade receivables	-	(603)	(100.0)
Impairment loss on doubtful trade and other receivables	-	64	(100.0)
Impairment loss on inventories	757	677	11.8
	<u>936</u>	<u>775</u>	20.8
Note 5 – Loss before tax			
This is determined after charging the following:			
Depreciation of property, plant and equipment	1,424	3,645	(60.9)
Amortisation of intangible assets	-	19	(100.0)
Amortisation of land use rights	428	434	(1.4)
Research expenses	916	1,164	(21.3)
Note 6 – Income tax expense			
Current income taxation	-	34	(100.0)
Underprovision in respect of prior years	-	565	(100.0)
Income tax expense	<u>-</u>	<u>599</u>	(100.0)

Note 7 - Other comprehensive income - Foreign currency translation

The foreign currency translation gain arises mainly from the translation of our Renminbi-denominated assets to Hong Kong dollars when consolidating the financial statements of the Group. Renminbi had appreciated by about 0.1% against Hong Kong dollars during this financial period, as compared to 1.2% in 1Q2014.

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

	Group As at 30-Jun-14 HK\$'000	Group As at 31-Mar-14 HK\$'000	Company As at 30-Jun-14 HK\$'000	Company As at 31-Mar-14 HK\$'000
<u>Non-current assets</u>				
Investment in subsidiaries	-	-	66,241	66,156
Property, plant and equipment	31,649	24,063	-	-
Intangible assets	-	-	-	-
Land use rights	6,043	6,464	-	-
Prepayments	2,966	4,792	-	-
Total non-current assets	40,658	35,319	66,241	66,156
<u>Current assets</u>				
Inventories (Note 1)	52,590	60,024	-	-
Trade and other receivables (Note 2)	95,145	89,003	-	-
Prepayments	15,140	14,469	64	149
Amount due from related parties	-	-	42,235	43,488
Cash and bank balances	14,155	38,621	577	64
	177,030	202,117	42,876	43,701
Assets of disposal group classified as held for sale	42,124	42,062	-	-
Total current assets	219,154	244,179	42,876	43,701
Total Assets	259,812	279,498	109,117	109,857
<u>Current liabilities</u>				
Trade and other payables	107,791	112,542	1,304	-
Other liabilities	24,634	34,339	1,479	2,839
Amount due to related parties	927	924	1,552	1,072
Borrowings	29,173	29,136	-	-
Deferred government grants	6,972	6,370	-	-
Provision for taxation	3,575	4,883	-	-
	173,072	188,194	4,335	3,911
Liabilities directly associated with disposal group classified as held for sale	19,847	19,550	-	-
Total current liabilities	192,919	207,744	4,335	3,911
Net current assets	26,235	36,435	38,541	39,790
<u>Non-current liabilities</u>				
Deferred government grants	6,622	6,613	-	-
Total non-current liabilities	6,622	6,613	-	-
Total liabilities	199,541	214,357	4,335	3,911
Net assets	60,271	65,141	104,782	105,946

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

Group As at 30-Jun-14 HK\$'000	Group As at 31-Mar-14 HK\$'000	Company As at 30-Jun-14 HK\$'000	Company As at 31-Mar-14 HK\$'000
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Equity attributable to owners of the Company

Share capital	145,057	145,057	145,057	145,057
Accumulated losses	(38,067)	(32,765)	(56,997)	(55,702)
Restructuring reserve	(106,937)	(106,937)	-	-
Statutory reserve	2,928	2,928	-	-
Foreign currency translation reserve	26,750	26,560	16,722	16,591
	29,731	34,843	104,782	105,946
Non-controlling interests	30,540	30,298	-	-
Total equity	60,271	65,141	104,782	105,946
Total equity and liabilities	259,812	279,498	109,117	109,857

Group As at 30-Jun-14 HK\$'000	Group As at 31-Mar-14 HK\$'000
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Note 1 – Inventories

Raw materials	4,325	5,561
Work in progress	38,908	40,501
Finished goods	9,357	13,962
	52,590	60,024

Note 2 – Trade and other receivables

Trade receivables	63,676	63,830
Bill receivables	2,399	1,937
Other receivables	29,070	23,236
	95,145	89,003

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

(In HK\$'000)

As at 30 June 2014		As at 31 March 2014	
Secured	Unsecured	Secured	Unsecured
29,173	-	29,136	-

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable after one year

(In HK\$'000)

As at 30 June 2014		As at 31 March 2014	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 30 June 2014, the Group's secured borrowings comprise short term bank loans of approximately HK\$ 29.2 million.

The short-term bank loans are secured by the Group's property, plant and equipment of HK\$2.5 million (31 March 2014: HK\$2.9 million), land use rights of HK\$6.0 million (31 March 2014: HK\$ 6.5 million), trade receivables of HK\$11.6 million (31 March 2014: HK\$10.5 million) and guarantees from our Executive Chairman and CEO, Cai Kaoqun and Shenzhen Precision ⁽¹⁾. No consideration is paid to Mr Cai or Shenzhen Precision for the guarantees.

(1) Shenzhen Kunda Precision Mould Co., Ltd – 深圳市群达行精密模具有限公司, a company incorporated in China. 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. As disclosed in our prospectus dated 30 September 2008, the Group had entered into the outsourcing arrangement, technical fee arrangement and purchase of raw materials arrangement with the company and all the above arrangements had ceased.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	(HK\$'000)	
	1Q2015	1Q2014
Operating activities		
Loss before tax from continuing operations	(4,799)	(5,758)
Loss before tax from discontinued operation	(301)	(478)
Loss before tax, total	(5,100)	(6,236)
Adjustments for:		
Depreciation of property, plant and equipment (Note A)	1,424	3,645
Amortisation of intangible assets	-	19
Amortisation of land use rights	428	434
Impairment loss on inventories	757	677
Impairment loss on doubtful trade and other receivables	-	64
Gain on disposal of property, plant and equipment	(49)	(92)
Finance costs	562	1,337
Interest income	(334)	(1,042)
Translation differences	716	1,796
Operating cash flows before working capital changes	(1,596)	602
(Increase)/decrease in:		
Trade and other receivables	(6,018)	(5,659)
Inventories	6,641	(1,472)
Prepayments	(671)	(1,495)
Amount due from related parties, net	3	12,150
Increase/(decrease) in:		
Trade and other payables	(6,471)	(500)
Other liabilities	(9,696)	2,795
Cash flows (used in)/from operations	(17,808)	6,421
Interest received	334	1,042
Interest paid	(562)	(1,337)
Income tax paid	(1,308)	(1,544)
Net cash flows (used in)/from operating activities	(19,344)	4,582
Investing activities		
Purchase of property, plant and equipment (Note B)	(5,141)	(2,718)
Proceeds from disposal of property, plant and equipment	518	421
Government grants received	123	378
Net cash flows used in investing activities	(4,500)	(1,919)

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	(HK\$'000)	
	1Q2015	1Q2014
Financing activities		
Repayment of finance lease obligations	-	(175)
Proceeds from short term borrowings	1,680	13,635
Repayment of short term borrowings	(1,680)	(4,793)
Net cash flows from financing activities	-	8,667
Net (decrease)/increase in cash and cash equivalents	(23,844)	11,330
Effect of unrealised foreign currency difference	(53)	279
Cash and cash equivalents at beginning of financial period	38,687	21,535
Cash and cash equivalents at end of financial period	14,790	33,144

	Group	
	(HK\$'000)	
	1Q2015	1Q2014
Note A:		
Depreciation of property, plant and equipment:		
Depreciation of property, plant and equipment from continuing operations	1,424	3,575
Depreciation of property, plant and equipment from discontinued operation	-	70
Total depreciation of property, plant and equipment	1,424	3,645

Note B:		
Cash outflow on purchase of property, plant and equipment:		
Aggregate cost of property, plant and equipment acquired	8,948	2,400
Add: Payment for prior years acquisitions	115	532
Less: Outstanding payments	(2,096)	(220)
(Less)/Add: Movement of prepayments made	(1,826)	6
Cash payments made to acquire property, plant and equipment	5,141	2,718

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

	Attributable to owners of the Company							Non-controlling interests HK\$'000
	Equity, total HK\$'000	Equity attributable to owners of the Company, HK\$'000	Share capital HK\$'000	Accumulated losses HK\$'000	Restructuring reserve HK\$'000	Statutory reserve HK\$'000	Foreign currency translation reserve HK\$'000	
Group								
1Q2015								
Opening balance at 1 April 2014	65,141	34,843	145,057	(32,765)	(106,937)	2,928	26,560	30,298
(Loss)/Profit net of tax	(5,100)	(5,302)	-	(5,302)	-	-	-	202
Other comprehensive income for the period	230	190	-	-	-	-	190	40
Total comprehensive income for the period	(4,870)	(5,112)	-	(5,302)	-	-	190	242
Closing balance at 30 June 2014	60,271	29,731	145,057	(38,067)	(106,937)	2,928	26,750	30,540

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 profits HK\$'000	Restructuring reserve HK\$'000	Statutory reserve HK\$'000	Foreign currency translation reserve HK\$'000	
Group								
1Q2014								
Opening balance at 1 April 2013	152,040	107,118	145,057	40,019	(106,937)	3,391	25,588	44,922
Loss net of tax	(6,890)	(6,651)	-	(6,651)	-	-	-	(239)
Other comprehensive income for the period	2,607	2,068	-	-	-	-	2,068	539
Total comprehensive income for the period	(4,283)	(4,583)	-	(6,651)	-	-	2,068	300
<u>Contributions by and distributions to owners</u>								
Appropriation to statutory reserve	-	-	-	(10)	-	10	-	-
Total transactions with the owners in their capacity as owners	-	-	-	(10)	-	10	-	-
Closing balance at 30 June 2013	147,757	102,535	145,057	33,358	(106,937)	3,401	27,656	45,222

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.

Company	Attributable to owners of the Company			
	Equity, total HK\$'000	Share capital HK\$'000	Accumulated (losses)/profits HK\$'000	Foreign currency translation reserve HK\$'000
1Q2015				
Opening balance at 1 April 2014	105,946	145,057	(55,702)	16,591
Loss net of tax	(1,295)	-	(1,295)	-
Other comprehensive income for the period	131	-	-	131
Total comprehensive income for the period	(1,164)	-	(1,295)	131
Closing balance at 30 June 2014	104,782	145,057	(56,997)	16,722
1Q2014				
Opening balance at 1 April 2013	153,224	145,057	(7,795)	15,962
Loss net of tax	(2,129)	-	(2,129)	-
Other comprehensive income for the period	1,836	-	-	1,836
Total comprehensive income for the period	(293)	-	(2,129)	1,836
Closing balance at 30 June 2013	152,931	145,057	(9,924)	17,798

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.

	Number of shares	Resultant issued and Paid-up share capital (HK\$,000)
Share capital as at 31 March 2014 and 30 June 2014	352,000,000	145,057

The Company has no outstanding convertibles or treasury shares as at the end of the current financial period reported on and as at the end of the immediately preceding financial year.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	30 June 2014	31 March 2014
Total number of issued shares excluding treasury shares	352,000,000	352,000,000

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.

There is no sale, transfer, disposal, cancellation and/or use of 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 2014, except for the adoption of certain new or revised FRS and Interpretations to FRS which became mandatory from 1 April 2014. The adoption of these FRS and INT FRS has no significant impact to the Group.

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 para 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	
		1Q2015	1Q2014
Loss of the Group, after deducting any provision for preference dividends and non-controlling interests	HK\$'000	(5,302)	(6,651)
Loss per share Basic	HK cents	(1.5)	(1.9)

Basic earnings per share are calculated based on weighted average number of shares issued of 352,000,000 (1Q2014: 352,000,000) ordinary shares.

Diluted earnings per share are not presented as there are no potential dilutive shares in existence as at balance sheet date.

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

	Group		Company	
	30 Jun 2014	31 Mar 2014	30 Jun 2014	31 Mar 2014
	HK cents	HK cents	HK cents	HK cents
Net asset per ordinary share less non-controlling interest, based on 352 million shares as at 30 June 2014 and 31 March 2014	8.4	9.9	29.8	30.1

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

1Q2015, overall revenue had increased by 11.6% compared to 1Q2014 while overall gross profit increased by 29.0%. However, other items of income declined by 61.6% while other items of expenses increased marginally by 3.9%. As such, the Group's net loss decreased from HK\$6.9 million in 1Q2014 to HK\$5.1 million in 1Q2015.

Revenue and Gross Profit

Revenue and Gross profit	Moulds (HK\$'000)	IMD and Plastic injection Parts (HK\$'000)	Automobile component (HK\$'000)	Total (HK\$'000)
1Q2015 Revenue	17,728	8,100	50,550	76,378
1Q2014 Revenue	10,540	6,566	51,346	68,452
% change	68.2	23.4	(1.6)	11.6
1Q2015 Sales mix	23.2%	10.6%	66.2%	100%
1Q2014 Sales mix	15.4%	9.6%	75.0%	100%
1Q2015 Gross profit	5,623	804	4,824	11,251
1Q2014 Gross profit	1,063	885	6,777	8,725
% change	429.0	(9.2)	(28.8)	29.0
1Q2015 Gross profit margin	31.7%	9.9%	9.5%	14.7%
1Q2014 Gross profit margin	10.1%	13.5%	13.2%	12.7%
Percentage point difference	21.6	(3.6)	(3.7)	2.0

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.**

In 1Q2015, overall revenue increased by 11.6%, from HK\$68.5 million in 1Q2014 to HK\$76.4 million in 1Q2015. The increase in revenue is mainly due to increase in sales from our Mould segment and IMD segment, offset by decline in sales from our Automobile Components segment. Following the increase in revenue, overall gross profit increased from HK\$8.7 million in 1Q2014 to HK\$11.3 million in 1Q2015 while the overall gross profit margin had also increased from 12.7% in 1Q2014 to 14.7% in 1Q2015.

Mould revenue increased by 68.2% from HK\$10.5 in 1Q2014 to HK\$17.7 million in 1Q2015. The increase in sales from our Mould segment was mainly due to increase in export sales to Europe and North America. The export sales of moulds increased from HK\$1.9 million in 1Q2014 to HK\$ 11.3 million in 1Q2015. The increase was partially offset by the decrease in our domestic sales of moulds, from HK\$8.6 million in 1Q2014 to HK\$6.4 million in 1Q2015. As a result of increase in export sales which generally commands a higher gross margin than domestic sales and improvement on economy of scale, gross profit and gross profit margin of our Mould segment increased from HK\$1.1 million and 10.1% in 1Q2014 to HK\$5.6 million and 31.7% in 1Q2015 respectively. The increase in gross margin also arises from lower depreciation charges in 1Q2015, following the impairment charges on the production equipment of the mould segment in FY2014.

IMD revenue increased by 23.4% from HK\$6.6 in 1Q2014 to HK\$8.1 million in 1Q2015. The increase in sales from our IMD segment was mainly due to increase in domestic sales to the customers in electronics industry. Despite the increase in our IMD revenue, the gross margin of our IMD segment declined from 13.5% in 1Q2014 to 9.9% in 1Q2015. The lower margin is mainly due to higher percentage of lower value products in 1Q2015, as compared to 1Q2014.

Automobile component sales had decreased by 1.6%, from HK\$51.3 million in 1Q2014 to HK\$50.6 million in 1Q2015. This was mainly due to the decrease in sales of our automobile components in Changchun, from HK\$8.1 million in 1Q2014 to HK\$5.8 million in 1Q2015. The decrease was partially offset by the increase in sales from our automobile component factory in Beijing, Beijing Baiju Automobile Component Co., Ltd ("Beijing Baiju"), from HK\$43.2 million in 1Q2014 to HK\$44.8 million in 1Q2015. Following decrease in our Automobile Component revenue, the gross profit and gross margin of our Automobile Component segment had also dropped from HK\$6.8 million and 13.2% in 1Q2014 to HK\$4.8 million and 9.5% in 1Q2015 respectively. The decline in gross margin from our Automobile Component segment is mainly due to lower economies of scale as a result of the decrease in sales and production volume in Changchun. In addition, the gross margin was further diluted by a more unfavorable sales mix in 1Q2015 as compared to 1Q2014 with products of a lower margin accounting for a higher portion of sales.

Other items of income

The decrease in interest income in 1Q2015 is mainly due to the cessation of late penalty charges and interest income from Shenzhen Precision following the full settlement of its outstanding receivables in FY2014.

The decrease in other income in 1Q2015 is mainly due to decreases in gain on disposal of property, plant and equipment and sales of raw materials and scrap materials.

Other items of expense

Despite the increase in revenue, our selling and distribution expenses decreased from HK\$4.0 million in 1Q2014 to HK\$3.8 million in 1Q2015. The decrease was mainly attributed to the decreases in transportation costs for carriage outwards from our Automobile Component segment following the relocation of the production facility of Beijing Baiju to the new factory which is significantly closer to our main customer, Beijing Hyundai, as compared to our previous premise.

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.**

In 1Q2015, general and administrative expenses increased from HK\$10.0 million in 1Q2014 to HK\$11.3 million in 1Q2015, mainly due to increase in rental expenses of HK\$1.2 million in 1Q2015 mainly due to increases in rental rates and rented spaces for our new premises in Beijing and Shenzhen. The larger floor area in the new Beijing factory includes dormitories for most of our workforce, while our previous factory does not include living quarters.

Finance costs comprised mainly interest expenses on the Group's bank loans and charges on the early redemption of bank bills receivable. The decrease in finance costs in 1Q2015 is mainly due to a lower overall debt base in 1Q2015 compared to 1Q2014. In 1Q2015, the average monthly ending balance of Group's borrowings was RMB 23.0 million compared to RMB 43.3 million in 1Q2014.

In 1Q2015, the increase in other expenses was mainly due to increase in impairment loss on inventories and decrease in the collections of previously impaired trade receivables, offset by the decrease in net foreign exchange loss. The change in foreign exchange difference was mainly attributed to exchange differences from non-trade, unrealised book translation of HK\$ denominated balances between companies within the Group. Impairment loss on inventories mainly relates to the write down in value of certain moulds under construction from our Mould segment and certain IMD moulds under construction from our IMD segment as a result of unforeseen increase in cost of production and uncertainty in securing price revision from the customer.

Discontinued operation

The results of Changchun Kunda-Guoan Automobile Plastic Mould Company Limited ("Changchun Kunda") and Shenzhen Qunxinda Wu Jin Company Limited ("Shenzhen Qunxinda") are presented separately in the statement of comprehensive income within one line item, "Loss from discontinued operation, net of tax". Following the disposal of Shenzhen Qunxinda in March 2014 and the progressively scaling down of the business activity of Changchun Kunda, the loss from discontinued operation had decreased from HK\$0.5 million in 1Q2014 to HK\$ 0.3 million in 1Q2015.

Balance sheet

Non-current assets

The increase in property, plant and equipment is mainly due to additions of HK\$8.9 million mainly relating to acquisition of plant and equipment and renovations in relation to the shift of our automobile component production facilities to the new factory in Beijing; offset by current year depreciation charges of HK\$1.4 million.

The decrease in land use rights was due to amortisation of HK\$0.4 million charged during the financial period.

The decrease in non-current prepayment is mainly due to decrease in prepayments by HK\$1.8 million mainly for the renovation of the new factory of Beijing Baiju.

Current assets and current liabilities

Inventories had decreased from HK\$60.0 million as at 31 March 2014 to HK\$52.6 million as at 30 June 2014. This was mainly due to the decrease in moulds under construction from our Mould segment by HK\$2.5 million and the decrease in the inventories of our Automobile Component segment by HK\$5.3 million. The decline in inventory level of our moulds under construction is mainly due to improved production cycle time and turnaround for our Mould segment. The inventory level in Beijing had been reduced following the shift to the new factory which is physically closer to our main customer.

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.**

Bill receivables of our Group relates to bank bills received from customers for the sale of products, the amount of bank bills held at any point in time is mainly dependent on the maturity period of the bank bills. Combined trade receivables and bill receivables of our Group as at 30 June 2014 had remained fairly constant as compared to 31 March 2014 and the turnover day of the combined trade and bill receivable had remained constant at 79 days for FY2014 & 1Q2015.

Other receivables had increased from HK\$23.2 million as at 31 March 2014 to HK\$29.1 million as at 30 June 2014. The increase in other receivables was mainly due to increase in receivables from the provision of raw materials to sub-contractors for further processing of our automobile component products, from HK\$10.1 million as at 31 March 2014 to HK\$15.6 million as at 30 June 2014. After the delivery of the final products to our customers, these raw material receivables will generally be offset against the final subcontracting charges which will be inclusive of the cost of raw materials. The transaction is structured in such a manner for better control over raw material wastage incurred by the sub-contractors. The increase is mainly due to timing differences from the supply of raw materials to these sub-contractors and the settlement of sub-contracting costs. The corresponding accrued subcontracting charges payable to these sub-contractors had also increased from HK\$16.0 million as at 31 March 2014 to HK\$22.9 million as at 30 June 2014. The Group do not expect any significant credit risk arising from these receivables as the Group is generally in a net payable position to these sub-contractors after taking into consideration the sub-contracting costs payable to them. On the whole, the net payable position of the Group to these sub-contractors had increased from HK\$5.9 million as at 31 March 2014 to HK\$7.3 million as at 30 June 2014 which has the effect of improving the overall operational cash flow of the Group.

Current prepayments mainly comprised prepayments made to raw material suppliers and sub-contractors.

Assets and liabilities of disposal group classified as held for sale relate to the assets and liabilities of Changchun Kunda to be disposed to Jilin Guo'an Group Co., Ltd ("Jilin Guo'an"). The major classes of assets and liabilities of Changchun Kunda classified as held for sale as at 30 June 2014 and its comparatives are as follows:

	30 June 2014	31 March 2014	Change
Assets:	HK\$'000	HK\$'000	%
Property, plant and equipment	16,702	16,681	0.1
Land use right	18,338	18,314	0.1
Inventories	1,455	1,418	2.6
Trade and other receivables	455	579	(21.4)
Prepayments in relation to construction of factories	4,384	4,378	0.1
Other prepayments	627	627	0.0
Cash and bank balances	164	66	148.5
Assets of disposal group classified as held for sale	42,125	42,063	0.1

	30 June 2014	31 March 2014	Change
Liabilities:	HK\$'000	HK\$'000	%
Trade and other payables	17,139	16,855	1.7
Other liabilities	2,708	2,696	0.4
Liabilities directly associated with disposal group classified as held for sale	19,847	19,551	1.5

- 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.

On the whole, the assets and liabilities of Changchun Kunda classified as held for sale as at 30 June 2014 had remained fairly constant as compared to its comparative as at 31 March 2014. Increase in cash and bank balances is mainly due to collections of its trade receivables.

Non-current and Current Liabilities

The trade and other payables of the Group as at 30 June 2014 had remained fairly constant as compared to the balance sheet as at 31 March 2014 while the trade payable turnover day had improved slightly from 129 days in FY2014 to 123 days in 1Q2015.

Other liabilities comprise mainly advances from customers and accruals of operating expenses. The decrease in other liabilities was mainly due to a HK\$10.3 million decrease in advances collected from our mould customers following moulds delivered to our customers during the financial period.

Amount due to related parties relates to HK\$0.4 million advances given by a director and an HK\$0.5 million amount owing to Shenzhen Precision.

As at 30 June 2014, the Group's secured borrowings comprise short-term bank loans of approximately HK\$29.2 million.

Deferred government grants were mainly for four development projects and will be recognised in the profit and loss account once the conditions attached have been fulfilled.

The decline in provision for taxation is mainly due to payment for income taxes made during the financial period.

Cash flow

In 1Q2015, overall cash and cash equivalent decreased by HK\$24.3 million to HK\$14.3 million, mainly due to operating cash outflows of HK\$19.3 million and capital expenditure of HK\$5.1 million.

- 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.

With continuing uncertainties over the strength and sustainability of the economic recovery of the major global economies and continuing weakness in the China economy, the Group expects overall business condition to remain challenging and volatile in this unstable global environment.

On 10 June 2014, the Company announced the entry into a conditional sale and purchase agreement with Mr Yu Jiahong (the “Purchaser”), pursuant to which the Company will dispose of three subsidiaries, namely Kunda Mould (International) Company Limited, Kunda Mould (Shenzhen) Co., Ltd and Changchun FAW-Sihuan Lida Pressed Component Co., Ltd through the sale of all the shares in KMI to the Purchaser (“Proposed Disposal”). The shareholders of the Company had approved the proposed disposal at the extraordinary general meeting held on 25 July 2014. Please refer to the shareholders’ circular dated 10 July 2014 and announcements dated on 10 June 2014 and 25 July 2014 for details. The Company will make further announcements to update shareholders on material developments of the above matter.

After the completion of the Proposed Disposal, the Group’s principal businesses will be i) the manufacture and sale of In-Mould-Decoration (“**IMD**”) and other plastic components and ii) the manufacture and sale of plastic automobile components from our factory in Beijing.

Please also refer to our Quarterly Update Pursuant to Rule 1313(2) of the SGX-ST Listing Manual released on 8 August 2014.

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

Pursuant to Rule 920(1)(a)(ii) of the Listing Manual, the Company discloses the aggregate value of interested person transactions as follows:

	Aggregate value of all interested person transactions during financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) HK\$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) HK\$'000
Shenzhen Kunda Precision Mould Co., Ltd ("Shenzhen Precision")		
Rental of factory premise at Bao Long Yi Road (Note A)	1,075	-
Total	1,075	-

The lease of the Bao Long Industrial Park factory is based on independent market valuation. Under Rule 916 of the Listing Manual, the lease is not required to comply with Rule 906.

No interested person transaction mandate had been obtained from shareholders.

14. Confirmation by the Board pursuant to Rule 705(4) 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 three months ended 30 June 2014 to be false or misleading in any material respect.

On Behalf of the Board of Directors

Cai Kaoqun
Executive Chairman and CEO
8 August 2014
Singapore

Yang Jinbiao
Executive Director and COO

BY ORDER OF THE BOARD
CAI KAOQUN
EXECUTIVE CHAIRMAN AND CEO
8 August 2014