



CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

Company registration number: 200712727W

Financial Statements for the period ended 31 December 2015

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)			Group (HK\$'000)		
	Unaudited 3 Months Ended		Change %	Unaudited 9 Months Ended		Change %
	31.12.15 ("3Q2016")	31.12.14 ("3Q2015")		31.12.15 ("9M2016")	31.12.14 ("9M2015")	
Continuing operations						
Revenue	62,957	57,013	10.4	154,423	156,742	(1.5)
Cost of sales	(51,963)	(48,277)	7.6	(127,559)	(136,241)	(6.4)
Gross profit	10,994	8,736	25.8	26,864	20,501	31.0
Other items of income						
Interest income (Note 1)	125	89	40.4	184	653	(71.8)
Other income (Note 2)	1,018	467	118.0	4,706	21,662	(78.3)
Other items of expense						
Selling and distribution expenses	(2,941)	(2,840)	3.6	(7,880)	(7,372)	6.9
General and administrative expenses	(6,810)	(5,204)	30.9	(16,198)	(15,231)	6.3
Other expenses (Note 3)	108	(244)	n.m.	94	(504)	n.m.
Profit before tax from continuing operations (Note 4)	2,494	1,004	148.4	7,770	19,709	(60.6)
Income tax expense (Note 5)	(275)	(1)	n.m.	(321)	(1)	n.m.
Profit from continuing operations, net of tax	2,219	1,003	121.2	7,449	19,708	(62.2)
Discontinued operations						
Loss from discontinued operations, net of tax	-	1	n.m.	-	(4,696)	n.m.
Profit for the period	2,219	1,004	121.0	7,449	15,012	(50.4)
Attributable to:						
Owners of the Company						
- Profit/(loss) from continuing operations, net of tax	1,408	(247)	n.m.	6,174	17,543	(64.8)
- Loss from discontinued operations, net of tax	-	1	n.m.	-	(4,887)	n.m.
Profit/(loss) for the period attributable to owners of the Company	1,408	(246)	n.m.	6,174	12,656	(51.2)
Non-controlling interests						
- Profit from continuing operations, net of tax	811	1,250	(35.1)	1,275	2,165	(41.1)
- Profit from discontinued operations, net of tax	-	-	n.m.	-	191	n.m.
Profit for the period attributable to non-controlling interests	811	1,250	(35.1)	1,275	2,356	(45.9)

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		
	3Q2016 HK\$'000	3Q2015 HK\$'000	Change %	9M2016 HK\$'000	9M2015 HK\$'000	Change %
Profit for the period	2,219	1,004	121.0	7,449	15,012	(50.4)
Other comprehensive income:						
Items that may be reclassified subsequently to profit and loss:						
Foreign currency translation (Note 6)	(2,150)	(916)	134.7	(4,703)	110	n.m.
Other comprehensive income for the period, net of tax	(2,150)	(916)	134.7	(4,703)	110	n.m.
Total comprehensive income for the period	69	88	(21.6)	2,746	15,122	(81.8)
Attributable to:						
Owners of the Company	(189)	(881)	(78.5)	2,672	12,610	(78.8)
Non-controlling interests	258	969	(73.4)	74	2,512	(97.1)
Total comprehensive income for the period	69	88	(21.6)	2,746	15,122	(81.8)
Attributable to:						
Owners of the Company						
Total comprehensive income from continuing operations, net of tax	(189)	(882)	(78.6)	2,672	17,313	(84.6)
Total comprehensive income from discontinued operations, net of tax	-	1	n.m.	-	(4,703)	n.m.
Total comprehensive income for the period attributable to owners of the Company	(189)	(881)	(78.5)	2,672	12,610	(78.8)

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		
	3Q2016 HK\$'000	3Q2015 HK\$'000	Change %	9M2016 HK\$'000	9M2015 HK\$'000	Change %
Note 1 – Interest income						
Interest income from bank and other receivables	125	89	40.4	184	653	(71.8)
Note 2 – Other income						
Sale of raw materials/ scrap materials	6	12	(50.0)	155	379	(59.1)
Gain on disposal of property, plant and equipment	135	94	43.6	135	185	(27.0)
Gain on disposal of subsidiaries	-	-	n.m.	-	14,111	n.m.
Amortisation of deferred government grants	(1)	-	n.m.	2,478	8	n.m.
Net foreign exchange gain	509	361	41.0	1,086	6,979	(84.4)
Rental income	372	-	n.m.	372	-	n.m.
Compensation income	(3)	-	n.m.	480	-	n.m.
	<u>1,018</u>	<u>467</u>	118.0	<u>4,706</u>	<u>21,662</u>	(78.3)
Note 3 – Other expenses						
(Reversal of)/Impairment loss on inventories	(108)	244	n.m.	(94)	504	n.m.
Note 4 – Profit before tax						
This is determined after charging the following:						
Depreciation of property, plant and equipment	697	1,004	(30.6)	1,762	2,101	(16.1)
Research and product testing expenses	722	89	n.m.	1,545	578	167.3
Note 5 – Income tax expense						
Current income taxation	275	1	n.m.	898	1	n.m.
Overprovision in respect of prior years	-	-	n.m.	(577)	-	n.m.
Income tax expense	<u>275</u>	<u>1</u>	n.m.	<u>321</u>	<u>1</u>	n.m.
Note 6 - Other comprehensive income - Foreign currency translation						

The foreign currency translation loss arises mainly from the translation of our financial statements denominated in Renminbi to Hong Kong dollars when consolidating the financial statements of the Group. The exchange rate of Renminbi against Hong Kong dollar in 3Q2016 had depreciated by about 2.1% (3Q2015: 1.3%).

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 31-Dec-15 HK\$'000	Group As at 31-Mar-15 HK\$'000	Company As at 31-Dec-15 HK\$'000	Company As at 31-Mar-15 HK\$'000
<u>Non-current assets</u>				
Investment in subsidiaries	-	-	46,618	48,864
Property, plant and equipment	10,483	10,984	-	-
Prepayments	3,522	1,214	-	-
Total non-current assets	14,005	12,198	46,618	48,864
<u>Current assets</u>				
Inventories (Note 1)	19,553	26,682	-	-
Trade and other receivables (Note 2)	71,305	44,148	-	-
Prepayments	8,978	22,561	68	222
Amount due from related parties	-	-	33,060	34,388
Cash and bank balances	31,001	27,494	341	279
Total current assets	130,837	120,885	33,469	34,889
Total Assets	144,842	133,083	80,087	83,753
<u>Current liabilities</u>				
Trade and other payables	56,904	49,264	-	-
Other liabilities	9,931	10,659	1,687	1,774
Amount due to related parties	1,393	889	-	-
Deferred government grants	191	1,876	-	-
Provision for taxation	385	355	-	-
Total current liabilities	68,804	63,043	1,687	1,774
Net current assets	62,033	57,842	31,782	33,115
Total liabilities	68,804	63,043	1,687	1,774
Net assets	76,038	70,040	78,400	81,979
<u>Equity attributable to owners of the Company</u>				
Share capital	148,309	145,057	148,309	145,057
Accumulated losses	(42,385)	(48,559)	(83,018)	(80,007)
Restructuring reserve	(74,397)	(74,397)	-	-
Foreign currency translation reserve	19,158	22,660	13,109	16,929
	50,685	44,761	78,400	81,979
Non-controlling interests	25,353	25,279	-	-
Total equity	76,038	70,040	78,400	81,979
Total equity and liabilities	144,842	133,083	80,087	83,753

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 31-Dec-15 HK\$'000	Group As at 31-Mar-15 HK\$'000
Note 1 – Inventories		
Raw materials	3,297	4,071
Work in progress	1,437	2,913
Finished goods	14,819	19,698
	19,553	26,682
Note 2 – Trade and other receivables		
Trade receivables	53,924	37,916
Bill receivables	11,562	853
Other receivables	5,819	5,379
	71,305	44,148

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 2015		As at 31 March 2015	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

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

Amount repayable after one year

(In HK\$'000)

As at 31 December 2015		As at 31 March 2015	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The Group does not have any bank borrowings or debt securities as at 31 December 2015 and 31 March 2015.

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)		Group (HK\$'000)	
	3Q2016	3Q2015	9M2016	9M2015
Operating activities				
Profit before tax from continuing operations	2,494	1,004	7,770	19,709
Loss before tax from discontinued operations	-	1	-	(4,696)
Profit before tax, total	2,494	1,005	7,770	15,013
Adjustments for:				
Depreciation of property, plant and equipment (Note A)	697	1,008	1,762	3,394
Amortisation of land use rights (Note B)	-	2	-	575
(Reversal of)/Impairment loss on inventories (Note C)	(108)	244	(94)	1,119
Impairment loss on doubtful trade and other receivables	-	-	-	112
Gain on disposal of property, plant and equipment	(135)	(94)	(135)	(185)
Amortisation of deferred government grants	18	-	(2,461)	-
Gain on disposal of subsidiaries	-	-	-	(14,111)
Interest income	(125)	(89)	(184)	(653)
Translation differences	(1,202)	(1,077)	(2,842)	(7,461)
Operating cash flows before working capital changes	1,639	999	3,816	(2,197)
(Increase)/decrease in:				
Trade and other receivables	(16,902)	(20,230)	(27,515)	(2,226)
Inventories	2,237	(5,549)	8,349	4,311
Prepayments	2,728	10,526	13,941	6,407
Amount due to related parties	248	(11)	504	(36)
Increase/(decrease) in:				
Trade and other payables	15,471	18,583	7,858	16,249
Other liabilities	1,355	(225)	(728)	(12,222)
Cash flows used in operations	6,776	4,093	6,225	10,286
Interest received	125	89	184	653
Income tax paid	(283)	-	(182)	(1,308)
Net cash flows from operating activities	6,618	4,182	6,227	9,631
Investing activities				
Purchase of property, plant and equipment (Note D)	(4,719)	(572)	(5,418)	(7,980)
Proceeds from disposal of property, plant and equipment	135	94	135	185
Government grants received	(6)	472	812	596
Net cash outflow on disposal of subsidiaries	-	-	-	(8,549)
Net cash flows used in investing activities	(4,590)	(6)	(4,471)	(15,748)
Financing activities				
Proceeds from short term borrowings	-	5	-	1,694
Repayment of short term borrowings	-	(59)	-	(20,511)
Proceeds from issuance of new ordinary shares	-	-	3,555	-
Share issue expenses	-	-	(303)	-
Net cash flows (used in)/from financing activities	-	(54)	3,252	(18,817)

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)		Group (HK\$'000)	
	3Q2016	3Q2015	9M2016	9M2015
Net increase/(decrease) in cash and cash equivalents	2,028	4,122	5,008	(24,934)
Effect of unrealised foreign currency difference	(729)	(163)	(1,501)	116
Cash and cash equivalents at beginning of financial period	29,702	9,910	27,494	38,687
Cash and cash equivalents at end of financial period	31,001	13,869	31,001	13,869

	Group (HK\$'000)		Group (HK\$'000)	
	3Q2016	3Q2015	9M2016	9M2015
Note A:				
Depreciation of property, plant and equipment:				
Depreciation of property, plant and equipment from continuing operations	697	1,004	1,762	2,101
Depreciation of property, plant and equipment from discontinued operations	-	4	-	1,293
Total depreciation of property, plant and equipment	697	1,008	1,762	3,394

	Group (HK\$'000)		Group (HK\$'000)	
	3Q2016	3Q2015	9M2016	9M2015
Note B:				
Amortisation of land use rights:				
Amortisation of land use rights from discontinued operations	-	2	-	575
Total amortisation of land use rights	-	2	-	575

	Group (HK\$'000)		Group (HK\$'000)	
	3Q2016	3Q2015	9M2016	9M2015
Note C:				
Impairment loss on inventories:				
Impairment loss on inventories from continuing operations	(108)	244	(94)	504
Impairment loss on inventories from discontinued operations	-	-	-	615
Total impairment loss on inventories	(108)	244	(94)	1,119

	Group (HK\$'000)		Group (HK\$'000)	
	3Q2016	3Q2015	9M2016	9M2015
Note D:				
Cash outflow on purchase of property, plant and equipment:				
Aggregate cost of property, plant and equipment acquired	1,438	474	1,766	11,656
Add: Payment for prior years acquisitions	-	-	374	115
Add/(Less): Outstanding payments	1	1,097	(156)	(695)
Add/(Less): Movement of prepayments made	3,280	(999)	3,434	(3,096)
Cash payments made to acquire property, plant and equipment	4,719	572	5,418	7,980

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	
Group							
3Q2016							
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	(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	
Group							
3Q2015							
Opening balance at 1 October 2014	55,686	33,948	145,057	(60,080)	(74,397)	23,368	21,738
Profit/(Loss) net of tax	1,004	(246)	-	(246)	-	-	1,250
Other comprehensive income for the period	(916)	(635)	-	-	-	(635)	(281)
Total comprehensive income for the period	88	(881)	-	(246)	-	(635)	969
Closing balance at 31 December 2014	55,774	33,067	145,057	(60,326)	(74,397)	22,733	22,707

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	Share capital	Accumulated losses	Foreign currency translation reserve
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company				
3Q2016				
Opening balance at 1 October 2015	81,213	148,309	(81,666)	14,570
Loss net of tax	(1,352)	-	(1,352)	-
Other comprehensive income for the period	(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
3Q2015				
Opening balance at 1 October 2014	83,981	145,057	(78,945)	17,869
Loss net of tax	(784)	-	(784)	-
Other comprehensive income for the period	(893)	-	-	(893)
Total comprehensive income for the period	(1,677)	-	(784)	(893)
Closing balance at 31 December 2014	82,304	145,057	(79,729)	16,976

- 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 2015 and 1 April 2015	352,000,000	145,057
New shares issued on 11 May 2015	57,800,000	3,252
Share capital as at 31 December 2015	409,800,000	148,309

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.**

Total number of issued shares excluding treasury shares	31 December 2015	31 March 2015
	409,800,000	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 2015, except for the adoption of certain new or revised FRS and Interpretations to FRS which became mandatory from 1 April 2015. 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			
		3Q2016	3Q2015	9M2016	9M2015
Profit/(loss) of the Group, after deducting any provision for preference dividends and non-controlling interests	HK\$'000	1,408	(246)	6,174	12,656
Earnings/(loss) per share Basic	HK cents	0.4	(0.1)	1.5	3.6

Basic earnings per share are calculated based on weighted average number of shares issued of 401,393,000 (9M2015: 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	
	31 Dec 2015	31 Mar 2015	31 Dec 2015	31 Mar 2015
Net asset per ordinary share less non-controlling interest, based on 409.8 million shares as at 31 December 2015 (31 March 2015: 352 million shares)	HK cents	HK cents	HK cents	HK cents
	12.4	12.7	19.1	23.3

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

In 3Q2016, Group revenue increased by 10.4% as compared to 3Q2015, mainly due to increase in revenue from our IMD and Plastic Injection Part segment. Following the increase in our IMD revenue and higher production efficiency, overall gross profit in 3Q2016 increased by 25.8%.

As compared to 3Q2015, other items of income in 3Q2016 increased by 105.6%. The increase in other items of income was mainly from rental income and increase in net foreign exchange gain in 3Q2016. In addition, other items of expense also increased by 16.3% in 3Q2016. The increase in other items of expenses was mainly due to increases in provision for employee performance bonus and research and product testing expenses. In 3Q2016, the Group recorded an income tax expense of HK\$0.3 million.

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.

Arising from the above, the Group recorded a net profit of HK\$2.2 million in 3Q2016 as compared to HK\$1.0 million in 3Q2015.

Revenue and Gross Profit

	IMD and Plastic Injection Part	Automobile Component	Total
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Third quarter of the financial year			
3Q2016 Revenue	10,816	52,141	62,957
3Q2015 Revenue	5,741	51,272	57,013
% change	88.4	1.7	10.4
3Q2016 Sales mix	17.2	82.8	100.0
3Q2015 Sales mix	10.1	89.9	100.0
3Q2016 Gross profit	3,564	7,430	10,994
3Q2015 Gross profit	230	8,506	8,736
% change	1449.6	(12.6)	25.8
3Q2016 Gross profit margin	33.0%	14.2%	17.5%
3Q2015 Gross profit margin	4.0%	16.6%	15.3%
Percentage point difference	29.0	(2.4)	2.2

	IMD and Plastic Injection Part	Automobile Component	Total
	(HK\$'000)	(HK\$'000)	(HK\$'000)
First 9 months of the financial year			
9M2016 Revenue	28,408	126,015	154,423
9M2015 Revenue	21,031	135,711	156,742
% change	35.1	(7.1)	(1.5)
9M2016 Sales mix	18.4	81.6	100.0
9M2015 Sales mix	13.4	86.6	100.0
9M2016 Gross profit	7,433	19,431	26,864
9M2015 Gross profit	1,477	19,024	20,501
% change	403.2	2.1	31.0
9M2016 Gross profit margin	26.2%	15.4%	17.4%
9M2015 Gross profit margin	7.0%	14.0%	13.1%
Percentage point difference	19.2	1.4	4.3

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 3Q2016, group revenue increased by 10.4% from HK\$57.0 million in 3Q2015 to HK\$63.0 million in 3Q2016. The increase in revenue is mainly due to increase in sales from our IMD and Plastic Injection Part segment. Following the increase in revenue, overall gross profit also increased by 25.8% from HK\$8.7 million in 3Q2015 to HK\$11.0 million in 3Q2016. Overall gross margin improved from 15.3% in 3Q2015 to 17.5% in 3Q2016. The increase in overall gross profit margin in 3Q2016 is due to improvement in gross margin from our IMD and Plastic Injection Part segment, partially offset by decline in gross margin from our Automobile Component segment.

In 3Q2016, our IMD revenue increased by 88.4% from HK\$5.7 million in 3Q2015 to HK\$10.8 million in 3Q2016. The increase in IMD revenue was mainly due to increase in domestic sales to the customers in the electronics industry. Following the increase in our IMD revenue and higher production efficiency achieved through improvements on material utilisation rate and capacity utilisation rate, gross margin of our IMD segment improved from 4.0% in 3Q2015 to 33.0% in 3Q2016.

In 3Q2016, our automobile component sales had remained relatively stable as compared to 3Q2015. Gross margin for our Automobile Component segment declined from 16.6% in 3Q2015 to 14.2% in 3Q2016. The lower gross margin was mainly due to an unfavourable sales mix in 3Q2016 as compare to 3Q2015, with a higher proportion of automobile components supplied for newer car model of Hyundai vehicles with higher start-up costs and lower contribution margin.

Direct and indirect sales to Beijing-Hyundai accounted for approximately 83.5% of the Group's total revenue in 3Q2016.

Other items of income

The increase in interest income in 3Q2016 was mainly due to increase in interest income on short-term bank deposits.

The increase in other income in 3Q2016 was mainly due to increase in rental income of HK\$0.4 million and net foreign exchange gain of HK\$0.1 million. The exchange gain in 3Q2016 arises mainly from non-trade and unrealised book translation of RMB denominated balances between companies within the Group. The depreciation of RMB during this period resulted in exchange gains on the RMB denominated payables of our Hong Kong and British Virgin Island subsidiaries. The rental income arise from the subletting of excess floor space in our Beijing factory.

Other items of expense

Despite of the increase in revenue, selling and distribution expenses had remained relatively stable in 3Q2016 as compared to 3Q2015.

In 3Q2016, general and administrative expenses increased from HK\$5.2 million in 3Q2015 to HK\$6.8 million in 3Q2016. The increase in general and administrative expenses in 3Q2016 was mainly due to the following:

- Increase in provision for employee performance bonus of HK\$1.0 million in 3Q2016 due to improvement in performance of both business units in 9M2016; and
- Increase in research and product testing expenses by HK\$0.6 million. The research is carried out mainly in the development and testing of new products for both IMD and Automobile Component segments;

In 3Q2016, the Group recorded a reversal of impairment loss on inventories of HK\$0.1 million as compared to impairment loss on inventories of HK\$0.2 million in 3Q2015.

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

Income tax expense

In 3Q2016, the Group recorded an income tax expense of HK\$0.3 million on the chargeable income of the entities with our Group in China which are subject to headline income tax rate of 25%. The lower effective tax rate is mainly due to utilisation of prior year losses carried forward.

Balance sheet

Non-current assets

The decrease in property, plant and equipment is mainly due to current year depreciation charges of HK\$1.8 million and foreign translation loss of HK\$0.5 million, offset by additions of HK\$1.8 million.

The increase in non-current prepayment is mainly due to a HK\$2.3 million increase in prepayments made by our Automobile Component segment for the acquisition of five units of plastic injection machines and ten units of manipulators (mechanical arms used to operate plastic injection machines) which had been delivered to the factory and still under installation as of 31 December 2015. The total acquisition cost of the said plastic injection machines and manipulators is about RMB 3.4 million.

Current assets and current liabilities

Inventories had decreased from HK\$26.7 million as at 31 March 2015 to HK\$19.6 million as at 31 December 2015. This was mainly due to:

- Decrease in automobile moulds used in the production of automobile components in Beijing by HK\$5.4 million following reimbursement from our main customer, Beijing Hyundai; and
- Better inventory management from both business segments.

Bill receivables of our Group relates to bank bills received from customers for the sale of products. The bank bills will generally mature in 30 to 60 days. As at 31 December 2015, the weighted average maturity period of our bill receivables is approximately 29 days. Combined trade receivables and bill receivables of our Group as at 31 December 2015 had increased by 68.9% as compared to 31 March 2015. This was mainly due to the following:

- Increase in bills receivables of HK\$10.7 million which was mainly from our Automobile Component segment. The increase was mainly due to the change in the settlement terms of our customer in July 2015. Our automobile component customer will now settle their trade balance by way of approximately 60% in cash and approximately 40% in bank bills instead of 100% in cash previously. Since the change in our customer payment term, the Group had been negotiating with our downstream vendors and suppliers for a similar in settlement. For better working capital management, the group will endeavour to transfer these bank bills to our suppliers and vendors or request for longer credit term for the payments to our suppliers and vendors;
- Increase in combined trade receivables from our both segments by HK\$16.0 million mainly due to increase in revenue inclusive of VAT by HK\$15.7 million for 3Q2016 as compared to 4Q2015. The debts are still within the normal credit period, the group do not foresee any significant issue in the recoverability of these debts.

As such, the combined bill and trade receivable turnover days had also increased from 69 days in FY2015 to 117 days in 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.**

Other receivables had increased by 14.8% as compared to 31 March 2015. The increase was mainly due to increase in receivables from the provision of raw materials to sub-contractors for further processing of our automobile component products. 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. As at 31 December 2015, the receivables from the provision of raw materials and the corresponding accrued subcontracting charges payable to these sub-contractors were HK\$5.0 million and HK\$12.2 million respectively. 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.

Current prepayments mainly comprised prepayments made to suppliers and sub-contractors. The decrease was mainly due to:

- A decrease in deposit of HK\$16.3 million made for acquisition of electronic components and touch screen components for the trading activities from our IMD and plastic injection part segment. Due to delays in the delivery of the products, the contract had been cancelled and the Group had collected back the principal prepayments and a 3% compensation from the vendors which are recorded as other income; Offset by
- Increase in prepayments of HK\$2.3 million made to the suppliers and sub-contractors of our automobile components segment.

Current Liabilities

Trade and other payables increased by 15.5% as compared to 31 March 2015. This was mainly due to:

- Increase in trade and other payables of our automobile component business of approximately HK\$6.2 million mainly due to longer credit terms given by our suppliers and vendors following change in payment terms of our automobile component customers; and
- Increase in trade and other payables of our IMD business of approximately HK\$1.5 million as a result of increase in production volume.

As such, the trade payable turnover days had increased from 93 days in FY2015 to 112 days in 9M2016.

Other liabilities comprise advances from customers, accruals of operating expenses and VAT and other tax payables. The decrease in other liabilities was mainly due to a HK\$0.9 million decrease in advances from our IMD customers and a HK\$0.7 million decrease in VAT and other tax payables. The decreases were partially offset by a HK\$0.9 million increase in accruals of operating expenses.

Amount due to related parties relates to HK\$0.4 million advances given by a director and HK\$1.0 million amount owing to Shenzhen Precision. The increase was mainly due to accrual of rental expenses of our factory premise at Bao Long Yi Road during the financial period.

The decrease in deferred government grants was due to the recognition of HK\$2.5 million of government grant in other income following the fulfilment of the relevant conditions. During the financial period, the Group received an additional HK\$ 0.8 million of government grant which was recorded as deferred government grant.

The increase in provision for income taxation was mainly due to income tax expense accrued and offset by income tax payment made during the financial period.

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

Cash flow

In 3Q2016, overall cash and cash equivalent increased by HK\$2.0 million. The increase in 3Q2016 overall cash and cash equivalent was due to operating cash inflow of HK\$6.6 million in 3Q2016, offset by capital expenditure of HK\$4.6 million (from investing 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 businesses service mainly China's automobile and consumer electronics market. With the Chinese economy remaining lacklustre in 2016, we expect business condition 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 segment and IMD and Plastic Injection Parts segment, we will continue to focus on improving production and operational efficiency. We would also focus on increasing and diversifying our customer base, but this will require more time to materialise.

The Company will continue to assess new business opportunities and potential acquisition of new business with good long term prospects that will improve the overall financial position of the Group.

On 11 January 2015, the Company had received approval-in-principle ("AIP") in relation to the proposed transfer of the listing of the Company from the Main Board to the Catalist Board (the "**Proposed Transfer**"). Please see announcement on the same date for details. The AIP granted by the SGX-ST is not to be taken as an indication of the merits of the Proposed Transfer, the Company, its subsidiaries or its securities.

The Company will convene an Extraordinary General Meeting on 23 February 2016 to seek Shareholder's approval for the Proposed Transfer. Notice for the meeting had been given on 28 January 2016 and the shareholder circular in relation to the Proposed Transfer had been dispatched. Please refer to the shareholder circular dated 28 January 2016 for details.

The Financial Watch List scheme does not apply to the Catalist Board. The Company will make further announcements to update shareholders on material developments of the above matter.

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/recommended, 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 for the first nine months of the financial year 2016 as follows:

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) 9M2016 HK\$’000	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than \$100,000) 9M2016 HK\$’000
Rental of factory premise at Bao Long Yi Road	748	-
Total	748	-

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.

(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..

14. Use of Proceeds from Placement of 57,800,000 Ordinary Shares

The Board of Directors of the Company refers to the placement (“Placement”) of 57,800,000 new ordinary shares in the capital of the Company at the issue price of S\$0.0106 which was completed on 11 May 2015 and the earlier announcements released on 31 March 2015 (“Announcement”).

The Company wishes to provide an update on the use of net proceeds raised from the share placement as at 31 December 2015.

In accordance with the use of proceeds described in the Announcement, the utilisation of the Net Proceeds is as tabulated below:

14. Use of Proceeds from Placement of 57,800,000 Ordinary Shares

Intended use	Proceeds from the Placement (S\$'000) (A)	Share issuance expenses (S\$'000) (B)	Net Proceeds from the Placement (S\$'000) (C) = (A) – (B)	Amount utilised per current announcement (S\$'000)	Cumulative amount utilised to-date (S\$'000) (D)	Balance amount (S\$'000) (C) – (D)
Expansion in the Group's business, involving either investment in new businesses or widening the Group's current business activities or product range.	613	52	561	-	-	561
Total	613	52	561	-	-	561

The Company will continue to provide periodic updates on the use of the Placement proceeds.

15. 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 financial period ended 31 December 2015 to be false or misleading in any material respect.

On Behalf of the Board of Directors

Cai Kaoqun
Executive Chairman and CEO
3 February 2016
Singapore

Yang Jinbiao
Executive Director and COO

BY ORDER OF THE BOARD
CAI KAOQUN
EXECUTIVE CHAIRMAN AND CEO
3 February 2016