

DIFFERENCES BETWEEN AUDITED FINANCIAL STATEMENTS AND THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

The Board of Directors (the “**Board**”) of China Kunda Technology Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) refers to its unaudited full year financial results announcement for the financial year ended 31 March 2019 (“**FY2019**”) released via the SGXNET on 22 May 2019 (“**Unaudited Results**”).

Pursuant to Rule 704(5) of the Catalist Rules, the Board wishes to announce that, subsequent to the release of the Unaudited Results, the external auditor, Ernst & Young LLP (“**External Auditor**”) had proposed certain adjustments in relation to SFRS(I) 15, in particular to the recognition of revenue from the In-Mould Decoration (“**IMD**”) business segment, which the management of the Company has adopted accordingly. There are material variances between the Unaudited Results and the Group’s audited financial statements for FY2019 (“**Audited Results**”).

Details of the material variances are set out below.

Consolidated Income Statement

Group	FY2019			FY2018		
	Unaudited Results	Audited Results	Variance	Unaudited Results	Audited Results	Variance
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
<u>Continuing operations</u>						
Revenue	39,167	39,672	505	48,015	48,829	814
Cost of sales	(28,931)	(29,650)	(719)	(32,042)	(33,029)	(987)
Other charges	(596)	(408)	188	(2,866)	(2,612)	254
(Loss)/Profit for the year	(3,703)	(3,729)	(26)	18,629	18,710	81

Note 1: The Group had assessed that the mould constructed for the production of IMD products (the “**IMD Mould**”) as an integral part of the manufacturing workflow and therefore recognised the revenue from the IMD Mould in proportion to the delivery of IMD products in the Unaudited Results.

Subsequent to the release of the Unaudited Results, the External Auditor proposed that the revenue from the IMD Mould and IMD products should be recognised separately. Revenue from the IMD Mould is to be recognised in full upon transfer of control to the customer.

In view of the abovementioned, revenue from the IMD mould, the corresponding costs and impairment loss on the IMD Moulds were adjusted from other liabilities and inventory respectively to consolidated income statement in the Audited Results.

Consolidated Balance Sheet

	As at 31 March 2019			As at 31 March 2018			As at 1 April 2017		
	Unaudited Results	Audited Results	Variance	Unaudited Results	Audited Results	Variance	Unaudited Results	Audited Results	Variance
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
<u>Current assets</u>									
Inventories	8,143	2,879	(5,264)	8,055	3,127	(4,928)	26,789	23,035	(3,754)
<u>Current liabilities</u>									
Other liabilities	(12,911)	(7,128)	5,783	(14,880)	(9,371)	5,509	(16,482)	(12,280)	4,202
Net assets	58,200	58,719	519	103,807	104,388	581	73,616	74,064	448

Consolidated Balance Sheet (continued)

	As at 31 March 2019			As at 31 March 2018			As at 1 April 2017		
	Unaudited Results	Audited Results	Variance	Unaudited Results	Audited Results	Variance	Unaudited Results	Audited Results	Variance
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity									
Accumulated losses	(32,569)	(32,056)	513	(29,981)	(29,442)	539	(38,875)	(38,417)	458
Foreign currency translation reserve	16,857	16,863	6	23,593	23,635	42	15,194	15,184	(10)
Total equity	58,200	58,719	519	103,807	104,388	581	73,616	74,064	448

Note 2: As explained in Note 1, the retrospective audit adjustments were made to consolidated balance sheet.

Decrease in inventories was due to reversal of costs and the impairment loss on from inventories arising from the IMD Mould to consolidated income statement and the opening balance of accumulated losses as at 1 April 2017.

Revenue from IMD Mould previously recorded as contract liabilities under other liabilities, was also reversed to consolidated income statement and the opening balance of accumulated losses as at 1 April 2017.

The increase in total equity was arisen from the above audit adjustments of inventories and other liabilities.

Cash Flow Statement

Group	FY2019			FY2018		
	Preliminary Unaudited Results	Audited Results	Variations	Preliminary Unaudited Results	Audited Results	Variations
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating activities						
(Loss)/Profit before tax	(5,131)	(5,157)	(26)	22,357	22,438	81
Impairment loss/(Reversal of impairment loss) on inventories	474	286	(188)	(539)	(793)	(254)
Inventories	(1,065)	(233)	832	20,820	21,922	1,102
Other liabilities	485	(133)	(618)	(3,051)	(3,980)	(929)

Note 3: The variances of operating cash flows before working capital changes and working capital were due to the audit adjustments as explained in Notes 1 & 2 above. In FY2019, the variance of inventories of HK\$832,000 is offset by the variances in other liabilities of HK\$618,000, loss before tax of HK\$26,000 and impairment loss on inventories of HK\$188,000. In FY2018, the variances of inventories of HK\$1,102,000 and profit before tax of HK\$81,000 are offset by the variances in other liabilities of HK\$929,000 and reversal of impairment loss on inventories of HK\$254,000. As such, the overall net impact to the cash flow statement is nil.

By Order of the Board

Cai Kaoqun
Executive Chairman and CEO
Singapore, 25 June 2019

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**") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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