



STRENGTH IN SYNERGY

SUSTAINABILITY REPORT 2021

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The contact person for the Sponsor is Ms. Ng Shi Qing, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.

ABOUT THE REPORT

This is the fourth Sustainability Report (“SR2021”) from China Kunda Technology Holdings Limited (hereafter referred to as “China Kunda” or “Company” and together with its subsidiaries “Group”) and it is prepared in accordance with Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalist Listing Rule 711(B) and Global Reporting Initiatives (“GRI”) 2016 Standards: ‘Core’ option, a globally-recognised framework suited for reporting on sustainability matters relevant to China Kunda. This sustainability report, together with our annual report, strives to provide balance and transparency of China Kunda’s performance for the financial year to all our stakeholders. This report discloses strategy, management approach and sustainability performance with respect to China Kunda’s Economic, Environmental, Social and Governance (“EESG”) matters in line with SGX’s requirements.

Reporting Scope

This report covers data, statistics, initiatives and performance which are in relation to China Kunda’s operations in Shenzhen, the People’s Republic of China for the financial year 2021 (“FY2021”) from 1 April 2020 to 31 March 2021, with FY2020 data for comparison, where applicable.

We have not sought external assurance for this report but may consider doing so as our reporting matures over time.

Contact Us

We welcome any feedback and queries on this report and any aspect of our sustainability performance disclosed in this report. Please address all feedback to investor relations at ir@chinakunda.com.



BOARD STATEMENT

It is our pleasure to present China Kunda's fourth Sustainability Report for FY2021.

As both the Board of Directors (the **"Board"**) and the management team continue to dedicate our efforts to creating long term value for our stakeholders, we are extremely mindful of the continuous changes in the market trends. Therefore, whilst formulating the business strategy for the Group, we ensure the sustainability issues will continue to be integral in our strategy formulation and we will uphold our commitment towards ensuring that our business practices are sustainable. China Kunda also maintains a clear and transparent manner of disclosing our business practices, ensuring that our stakeholders are not only kept abreast of emerging sustainability issues but also what we do to adapt as we expand our business operations.

Despite the worldwide spread of COVID-19 which has led to uncertainty to the global economy and our business, we are determined to weather through this crisis and emerge stronger as an organization. After reviewing the past disclosures to our stakeholders, we have decided to expand our reporting this year on Environment and include an additional topic - Energy and Emission. Therefore, this year, the five material topics would now include Energy and Emission, Regulatory Compliance, Innovation and R&D (research and development), Material Use, Training and Advancement. These ESG matters were chosen to ensure our resources are focused on identifying risks and opportunities across our value chain, and they continue to be relevant in effectively safeguarding the interests of our stakeholders this year.

Since most of the Group's customer base is within China and that the COVID-19 situation was quickly under control in the country, most of the industries have resumed production and the pandemic has minimal impact on the supply chain of the Group. During this time, the safety of our employees is also our priority and we take serious safety measures such as safe distancing and trainings for employees to prevent any outbreak of COVID-19 at work sites. More details can be found in the "Our COVID-19 response" section of this report.

Finally, we would like to express our appreciation to all our stakeholders who have been with us throughout our sustainability journey. We look forward to your continued support as we continue to create value for our stakeholders and drive our business in a responsible and sustainable manner.

OVERVIEW OF CHINA KUNDA

China Kunda is headquartered in Shenzhen, China and listed on the Singapore Exchange as a limited liability company. We are a provider of plastic engineering and furniture solutions to a diversified customer base spread across a wide geographical region ever since our incorporation in 2007.

Apart from the manufacture and sale of In-Mould-Decoration and other plastic components (the **“IMD Business”**) through its subsidiary Kunda Plastic Electronic (Shenzhen) Company Limited (**“KPE”**), China Kunda is also involved in the manufacture and distribution of furniture and other related activities (**“Furniture Business”**) through its subsidiary, Shenzhen Shi Er Ju Quan Wu Ding Zhi Company Limited (**“SEJ”**).

Since FY2020, KPE had expanded its business into the field of medical devices by leveraging its existing technical expertise, and it has contributed to revenue from the sales of non-contact infrared forehead thermometers (**“Thermometers”**).

We are committed to continuing to use our technology and expertise to explore new product lines and sales channels to provide scalability and sustainability for our core business.

China Kunda has considered the impact from IMD business, furniture business and medical devices operation when reviewing its EESG factors in FY2021 and concluded that in FY2021, in addition to the same EESG topics as reported in FY2020, we will be adding a new topic Energy and Emissions. For more details of our materiality assessment, please refer to the section: materiality assessment. The operation sites covered in this report are listed below in Figure 1.

Figure 1: China Kunda's operation sites



CORPORATE PROFILE

Ethics and Integrity

In China Kunda, we reaffirm the importance of promoting strong ethics and integrity to our business success. To maintain high standards of ethics and integrity and expect employees to show consistent adherence to strong moral principles and values, we integrated our ethics and integrity policies into China Kunda’s values and key principles as shown in Figures 2 and 3. Both of them have been reviewed and approved by our Core Operations and Decisions Management Committees (“Core team”) this year. In addition, all employees will attend training annually to acknowledge their understanding of our corporate values and principles.

Figure 2: China Kunda’s mission, vision and values



Figure 3: China Kunda’s Key Principles





SUPPLY CHAIN

In China Kunda, we believe that selecting reliable, high-quality and cost-efficient suppliers can help us achieve long-term business value.

With the pandemic still ongoing, preventive and control measures are required by the government. With these measures in place, the Group, its customers and suppliers have fully resumed business. In FY2021, despite the pandemic, it has not caused a major disruption to our supply chain. This is because our raw materials are mainly being sourced from local vendors in China where the pandemic is largely under control. Our top 10 suppliers are mainly short production cycle manufacturers supplying materials and services ranging from electronic parts, sheets, mould processing.

Please see figure 4 for the total amount spent on our top 10 suppliers in FY2021.

Figure 4: Table on the total amount spent on top 10 suppliers in FY2021

COUNTRY OF TOP 10 SUPPLIERS	AMOUNT SPENT ON TOP 10 SUPPLIERS IN FY2021
CHINA	HK\$24,595,245

CORPORATE PROFILE

CHANGES TO THE ORGANISATION AND ITS SUPPLY CHAIN

In FY2021, the Group continued to engage the supply category which is comprised of materials and accessories used for the production of Thermometers. With the increase in the number of companies producing such Thermometers, market demand is expected to slow down in the next fiscal year. Despite the expected slowdown in the Thermometer business, the Group remains optimistic and is exploring the market potential of other medical devices in light of the increase in health awareness which will contribute to the growth of the global medical devices industry in the long term. Currently, the Group is exploring to supply other homecare medical equipment.

Arsing from the above, there was a total number of 62 key suppliers¹ engaged by China Kunda in FY2021, a 16.4% increase in numbers compared to 55 suppliers in FY2020.

OUR PEOPLE

The total number of our employees fell slightly from 130 in FY2020 to 128 in FY2021 as shown in Figure 5. All employees under China Kunda work full-time, there is no change in the percentage of gender employees where it remained at 41% female and 59% male. There were 22 and 24 permanent employees in FY2020 and FY2021, respectively, while the rest were under fixed-term contracts. Under permanent employees in FY2021, there were 7 females and 17 males. In FY2021, there were no significant changes in employee numbers throughout the year.

¹ Key suppliers refer to those who offer goods and services valued more than RMB 100,000 or equivalent to HK\$114,561 per annum which was computed based on the average exchange rate RMB1.00:HK\$1.14561 in FY2021 as compared to HK\$112,224 per annum based on the average exchange rate RMB1.00:HK\$1.12224 in FY2020.

Figure 5: Breakdown of employees by employment contract and gender

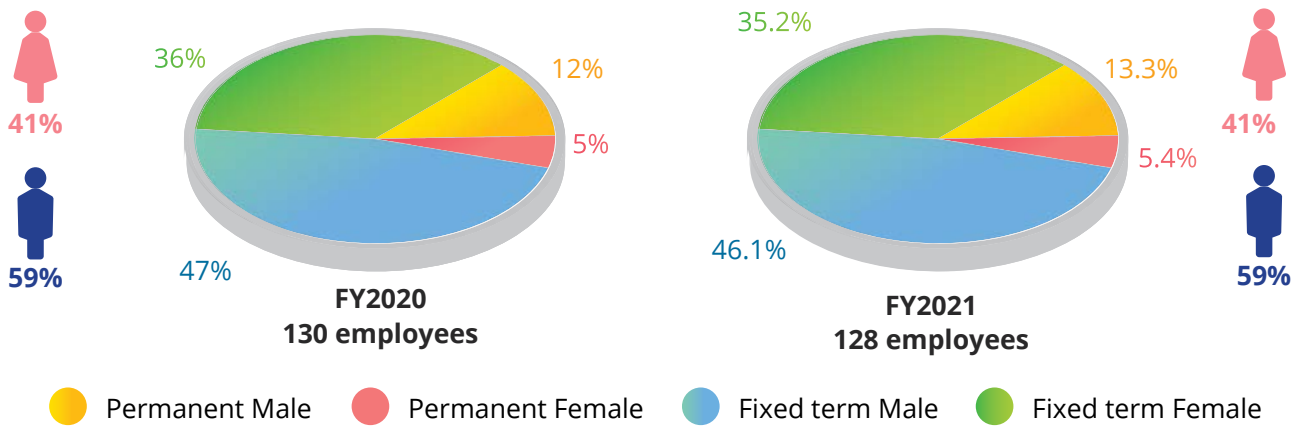


Figure 6: Breakdown of employees by employment category

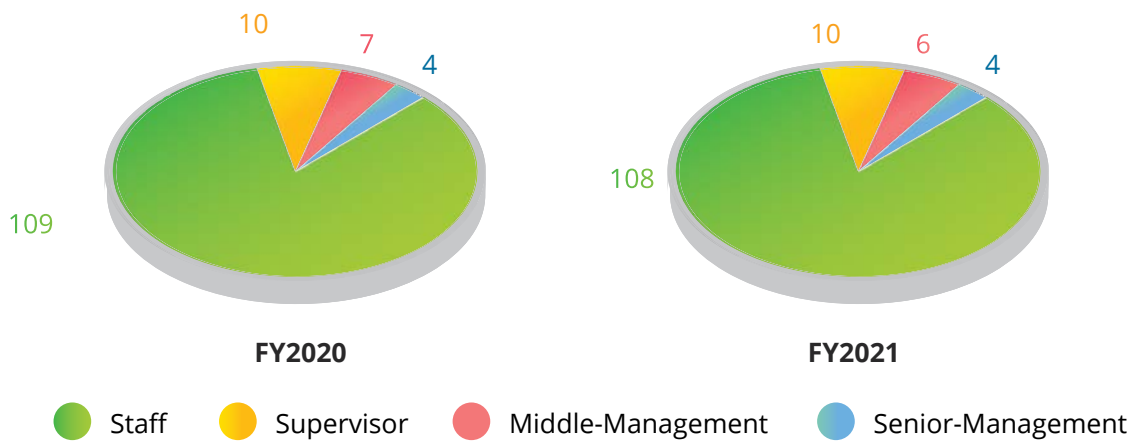
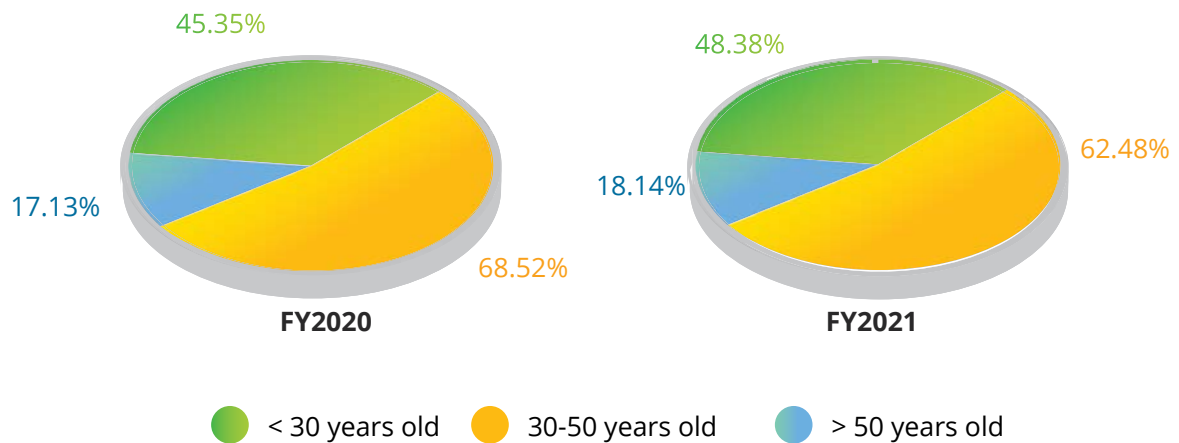


Figure 7: Breakdown of employees by age group



CORPORATE PROFILE

OUR COVID-19 RESPONSE

Since the start of the COVID-19 pandemic, the Board had provided support through reviewing the measures taken by the management, as well as provided guidance along the way to ensure the China Kunda has taken the right measures to safeguard our people and business. Regular meetings were held among our top management to ensure that China Kunda will always stay updated on the latest situation and was always in compliance with regulations imposed by the local authorities. China Kunda has also implemented safety management measures in accordance with the relevant requirements of the local government, such as regularly distributing masks and disinfectants, working from home if possible and controlling total personnel on-site, avoiding large gatherings, employees regularly performing COVID-19 tests. On top of this, as of July 2021, more than 80% of our employees had received COVID-19 vaccination.

Employees

The health and safety of our employees is our priority at China Kunda. We have been proactively taken measures and requirements against the spread of the pandemic from the top management since the start of the pandemic to safeguard the health and well-being of our employees. At the worksite and offices of China Kunda, we regularly distribute masks and disinfect common spaces weekly and all employees are required to take the temperature at the security before entering the company compound. Upon entering the company compound, sanitisers and disinfectants were also placed around the compound and all employees are required to practice safe distancing and large-scale gatherings were all cancelled.



Safety Management Measures in China Kunda

To ensure that all of the employees are educated on such measures, the HR department has provided training to employees of China Kunda. Some of the training materials include what are the measures they should take when employees of China Kunda need to bring outsiders into the company compound, safe distancing measures at all times even during mealtimes and mandatory mask wearing for all production operations.

Supply Chain

Since most of China Kunda's suppliers are within the country, there was no significant impact of the pandemic on our supply chain. This is so because the domestic pandemic was quickly brought under control and all the relevant industries have resumed production within a relatively short period.

Government

Although the pandemic was well controlled, the Group would still actively implement pandemic prevention measures in accordance with the PRC Government's relevant pandemic regulations. On the other hand, our company also received certain government subsidies to help us minimize the impact of the epidemic on business. Since February 2020, small-scale enterprise tax is lowered from 3% to 1%. In addition, from February 2020 to December 2020, the Social Insurance Premiums Payable by Enterprises was temporarily reduced and exempted. Specifically, the work-related injury, unemployment, and endowment insurance were exempted, the medical insurance was halved, and during this period, the company received a pandemic prevention subsidy of RMB 20,000 from Longgang District Government.

Customers

At China Kunda, we value our customers as much as they support our business. In FY2021, IMD revenue decreased by 17.4% as compared to FY2020, mainly attributed to the decline in sales of IMD and plastic injection parts to the customers in consumer electronics and electrical appliances industries who were adversely affected by the effects of poor market sentiment in global market largely due to Covid-19. In order to gain more sales orders from new customers and existing customers, the Group incentivises some major customers of the IMD business with IMD moulds at discounted prices or free of charge which will ultimately be used by Group to produce IMD products.

SUSTAINABILITY STRATEGY AND APPROACH

Overall, our Group adheres to sound corporate governance to safeguard shareholders' interests and the Company's assets.

Risk Management

China Kunda has in place an Enterprise Risk Management Framework ("ERM"), supported by the Audit Committee whose members are all Non-Executive Directors, that covers risk management and our internal control system. This ERM mobilises our ability to manage EESG risks and seize opportunities that help achieve our Company's objectives.

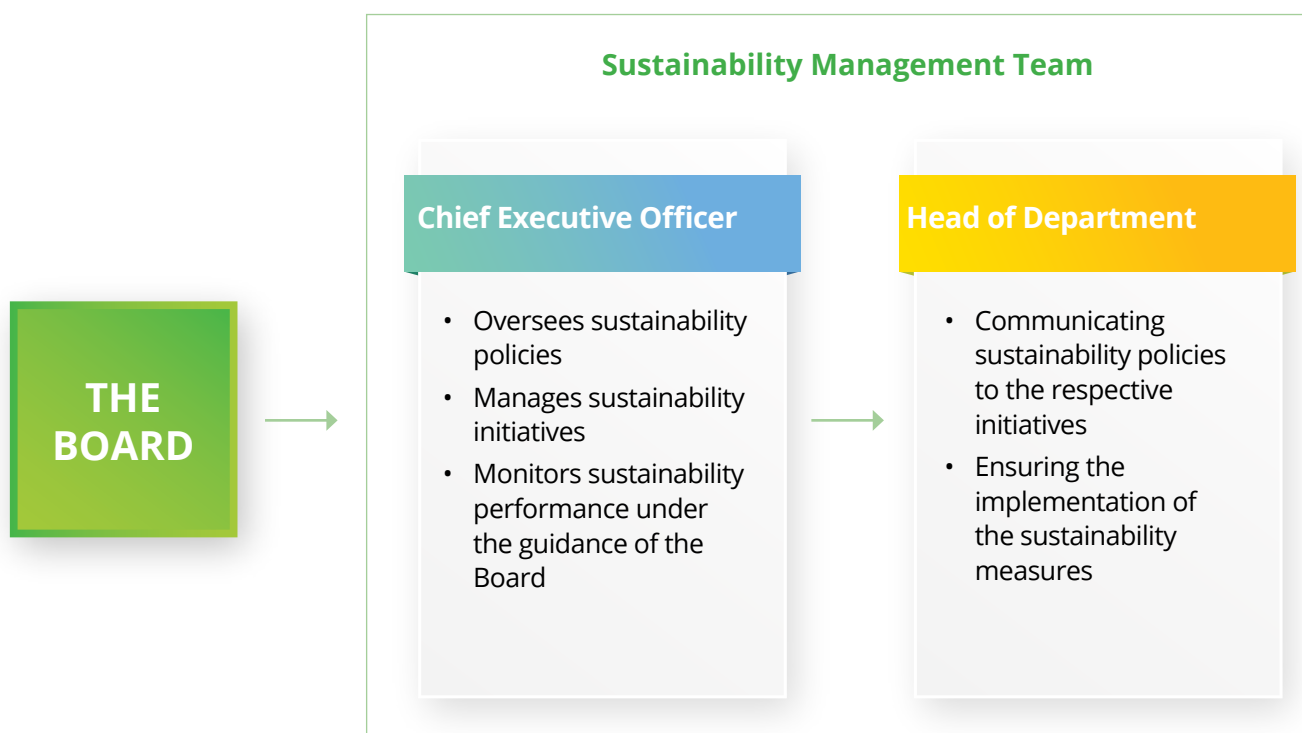
China Kunda currently has two core management teams that oversee our KPE and SEJ businesses, respectively. Each management team governs the process of risk assessment under the guidance of external advisors and monitors the Company's daily operations and internal control procedures. Concerns highlighted by both management teams are reported to the Board on a regular basis.

Sustainability Governance

In China Kunda, our sustainability management team is responsible for overseeing sustainability policies, implementing sustainability initiatives and monitoring our sustainability performance. Details of the roles and responsibilities of our sustainability management team can be seen in Figure 8 below.

Subsequently, any feedback brought to the management team's attention may be escalated to the Board of Directors on a regular basis.

Figure 8: China Kunda's sustainability governance structure






SUSTAINABILITY STRATEGY AND APPROACH

Stakeholder Engagement



China Kunda believes that fostering active relationships across our stakeholder groups is critical in sustaining our growth as a Company. Understanding our stakeholders' needs and concerns enables us to respond efficiently, prioritise resources, formulate a better sustainability strategy and enhance our overall sustainability performance.

Figure 9 details China Kunda's stakeholder groups, and how we engage to address their needs and concerns to ensure stakeholder satisfaction

Figure 9: China Kunda's Stakeholder Engagement

Stakeholder Groups	Key Concerns of Each Stakeholder Group	China Kunda's Approach	Modes of Engagement	Frequency of Engagement
 Shareholders	<ul style="list-style-type: none"> Achieve viable returns and receive dividends To be updated on the Company's latest financial status and development plans 	<ul style="list-style-type: none"> Provide reports on financial data, financial analysis, and development plans for shareholders 	Whistle-blowing mechanism	As and when necessary
			Shareholder meetings	Annually
			Mail communication	
			Electronic communication	
 Employees	<ul style="list-style-type: none"> Sustainable growth of the Company Proper work arrangement Employee welfare and benefits Safe working environment Employee training and education 	<ul style="list-style-type: none"> Establish strong communication between employees and the Company Improve working environment and enhance employee's belongingness to improve work efficiency and ensure overall high employee stability 	Whistle-blowing mechanism	As and when necessary
			Face-to-face meetings	Once or twice a month
			Conference call	
			Electronic communication	
			Employee welfare chat	
 Regulators	<ul style="list-style-type: none"> Comply with latest laws and regulations, including the latest tax regulations in the tax bureau 	<ul style="list-style-type: none"> Healthy communication with relevant authorities such as the tax bureau to remain closely informed about the latest relevant regulations 	Face-to-face meetings	Once or twice a month
			Conference call	
			Mail communication	
			Electronic communication	

SUSTAINABILITY STRATEGY AND APPROACH

Stakeholder Groups	Key Concerns of Each Stakeholder Group	China Kunda's Approach	Modes of Engagement	Frequency of Engagement
 Suppliers	<ul style="list-style-type: none"> Feedback on the quality of materials, price, delivery time Keep abreast of new product developments and trends 	<ul style="list-style-type: none"> Healthy communication with suppliers to ensure that all purchases remain beneficial to the Company 	Whistle-blowing mechanism	As and when necessary
			Face-to-face meetings	At least once to thrice a month
			Conference call	
			Mail communication	
			Electronic communication	
 Local Communities	<ul style="list-style-type: none"> Timely feedback to the Company on impacts of the Group's operation Contributions to the local community 	<ul style="list-style-type: none"> Provide a safe and liveable environment for locals Transparent communication and disclosure with local communities 	Whistle-blowing mechanism	As and when necessary
			Face-to-face meetings	Once a quarter
			Electronic communication	

Materiality Assessment

China Kunda first conducted a 3-steps materiality assessment in FY2018 and identified four key material matters that aligned with the Company's EESG priorities. Regulatory Compliance, Innovation and R&D Material Use, Employees Training and Advancement were chosen as critical to our business operations and disclosed in our inaugural sustainability report.

In FY2021, the Board and management team have reassessed these matters and decided to add a new material matter - "Energy and Emissions" to this year's EESG priorities as this is a topic interested by external stakeholders and is important to the business operations.

We will continue to review the materiality matters in the subsequent reporting period to ensure that the EESG matters remain relevant to China Kunda and are addressed in our sustainability report.

The process of China Kunda's materiality assessment is shown in Figure 10, and the results of the assessment are subsequently highlighted in Figure 11.

SUSTAINABILITY STRATEGY AND APPROACH

Figure 10: China Kunda's materiality assessment

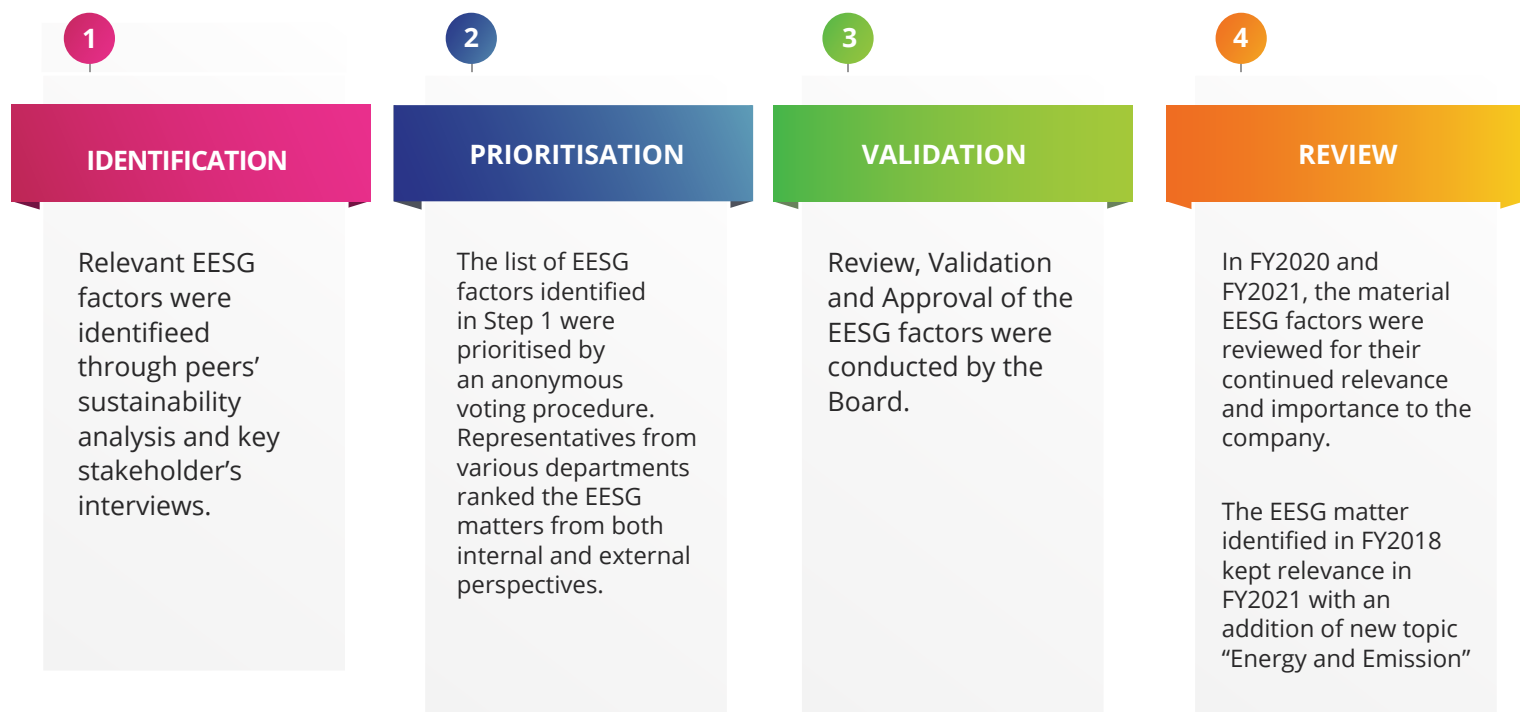
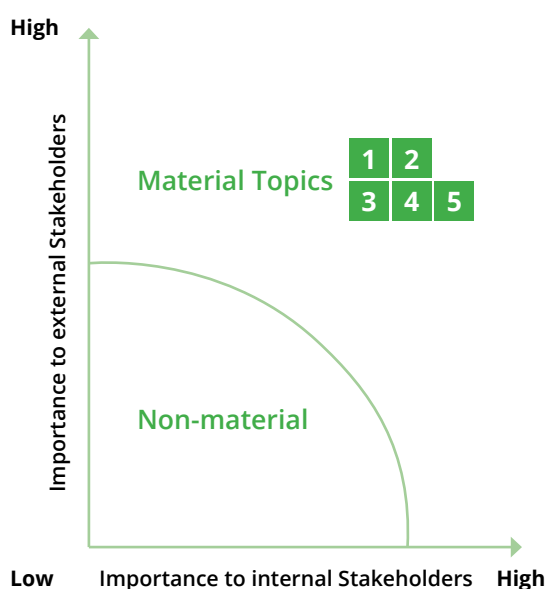


Figure 11: China Kunda's Materiality Assessment result



No.	Category	EESG factor	GRI disclosure	Page No.
1	Governance	Regulatory Compliance	GRI 307: Environmental compliance GRI 419: Socioeconomic compliance	15
2	Economic	Innovation and R&D	Non GRI disclosure	18
3	Environment	Material Use	GRI 301: Materials	22
4	Environment	Energy and Emissions	GRI 302: Energy GRI 305: Emissions	25
5	Social	Employees training and advancements	GRI 404: Training and Education	29

SUSTAINABILITY STRATEGY AND APPROACH

Key Highlights in FY2021

Regulatory Compliance
Zero non-compliance
Cases, fines or sanctions



Revenue
HK\$44,916,000
in FY2021

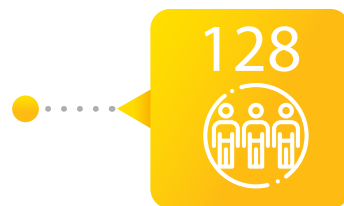
HK\$41,822,000
in FY2029

59%
Male



Employees

41%
Female



Innovation and R&D

HK\$3,074,000
Investment in Innovation
in FY2021

HK\$2,673,000
Investment in Innovation
in FY2020

55.34 hours
Average Training hours in
2021

Training
45.67 hours
Average Training hours in
2020



COVID-19 Response

Vaccination

As of July 2021, more than 80% of our employees got vaccinated

Regulatory Compliance

China Kunda is committed to maintaining good corporate governance and recognises the importance of its internal controls put in place to ensure operational efficiency and continued compliance with laws, regulations and policies. We strive to apply the highest regulatory standards across our business operations and take all compliance issues and concerns reported seriously.

Reporting scope for this topic includes operations in both KPE and SEJ.

Policies and Practices

In FY2021, China Kunda continued our efforts in our compliance responsibilities by:

- Setting up compliance cultures and sound compliance management systems to avoid risks on non-compliance behaviours.
- Communicating compliance regulations/standards to all employees and including compliance rules in our Employee handbook.
- Utilising compliance management system to guide our senior management's actions to minimise non-compliance risk.
- Having the core team to review, monitor, and respond in real-time to any non-compliance issues

Whistle-blowing Policy

Our Regulatory Compliance is facilitated by our Whistle-blowing policy which provides a formal grievance handling procedure as described in figure 12 that allows the Company to manage all our stakeholders to raise any issues they encounter. This Grievance Mechanism provides our employees with a safe environment and any other persons to raise their concerns, and we continue to encourage all our stakeholders to raise any issues they encounter in their relationship with the Company. Our Audit Committee will be responsible to review any potential conflicts of interest and if any, they will ensure procedures for resolving such conflicts are strictly adhered to.

For more details of our Corporate Governance and Whistle-blowing Policy, please refer to our Corporate Governance Report and its section: Audit Committee and Whistle Blowing Policy in our annual report.

GOVERNANCE

Figure 12: China Kunda's Grievance Handling Process



In addition, China Kunda has also provided our people with the employee handbook which details all our regulatory compliance requirements. We request all our employees to submit their declaration of conflict of interest.

Targets and Performance

In FY2021, KPE remained certified with Management System Standards ISO 9001, ISO 16949 and ISO 14001². Both KPE and SEJ have zero reported cases of non-compliance, demonstrating China Kunda's full compliance with the laws, regulations and standards with regards to economic, environmental and social areas. China Kunda aims to maintain full compliance through strict adherence to our internal corporate governance system and hope to continue providing confidence in our regulatory compliance to our stakeholders.

Figure 13: FY2021 China Kunda regulatory compliance performance

PERPETUAL TARGET	FY2021 PERFORMANCE	FUTURE PLANS
<ul style="list-style-type: none"> Comply with applicable laws and regulations Conform to industry standards No fines or sanctions 	 <ul style="list-style-type: none"> Zero non-compliance cases, fines or sanctions Target achieved 	<ul style="list-style-type: none"> China Kunda aims to maintain its performance

² As our business in SEJ is focus more on trading rather than manufacturing and the manufacturing activities of SEJ is relatively small, we believe these standards are not relevant to our SEJ operations as of now. However, we would like to consider obtaining such standards in the future when appropriate.

ECONOMIC

Innovation and R&D

China Kunda is a strong advocate for continued innovation and improvements in technology to meet our long-term objectives of raising productivity and reducing capital costs. Furthermore, enhancing our capability in technology can place us in a good position to gain a competitive advantage and further our sustainable development goals, considering the relatively short product replacement cycles in our industry.

Reporting scope for this topic includes operations in both KPE and SEJ.

Management Team

The Technology Development Department is responsible for reviewing innovation policy, overseeing the innovation practices and evaluating the results of our innovative projects in KPE.

Our Executive Director and the core management team oversee our business in SEJ ranging from material sourcing, sales, manufacturing, finance, human resources as well as innovation and R&D matters. Currently, the main function of research and development projects were outsourced to the external technology company in order to avoid high capital commitment. Our Executive Director and the core management team is working closely with the external technology company for the progress and results of research and development projects.

Policies

In FY2021, we continued the Innovation Incentive Policy in Technology Development to reward innovative projects. Any project proposed is reviewed and approved by our core management team and Technical Director.

With key decisive factors such as market influence, projected production level, final output and production location in mind, the policy has been reviewed in FY2021 and is summarised as follows (Figure 14):

Figure 14: China Kunda Innovation Incentive Policy

PERSON IN CHARGE	REWARDS	POLICY REVIEW DATE
Technical Director (Technology Development Department)	<ul style="list-style-type: none">• RMB 1000 or HK\$ 1,146 per new client ³• RMB 500 or HK\$ 573 per project (old client, 2nd onwards service)• RMB 2000 or HK\$ 2,292 per patent	The policy has been reviewed for this reporting period. No material variances made to the policy.

³ The reward per new client is only applicable in KPE and is not applicable in SEJ which commenced its manufacturing activities of customised cabinetry products in FY2020, and its current manufacturing activities do not involve any innovation and improvement in technology.

Practices

Our clients strictly evaluate and assess our new projects. We will only deliver the products to our customers when the products achieve certain testing requirements from clients. Our new patents will also be reviewed and certified by the authorised departments of the local government. Only when we have received the certificates from the government, will we then proceed to reward our employees for their contribution to the projects based on our Innovation Incentive Policy. China Kunda will proactively and continuously improve our R&D and product quality accordingly to any feedback received from our clients.

Case Study #1:KPE 3D texture printing

The traditional IML process helps to design logo, colour, and have the pattern on the back of the film through screen printing, colour printing, etc. With the use of in-mould injection technology, it will help to attach the film to the surface of the plastic part to increase the aesthetics of the product.

KPE has been committed to the R&D and manufacturing of IML technology since 2002. With the recent developments of IML technology, ID designers tend to have higher expectations where traditional and simple patterned or colour craftsmanship can no longer satisfy their expectations. This is because they will be more inclined to more visually impactful, eye-catching designs which will help to increase the selling point of their products. Therefore, the traditional IML appearance can hardly meet the needs of the younger generation of consumers. As such, our engineering and technical team has transferred 3D texture with light-curable ink to the back of the transparent film, combined with optical coating, screen printing, colour printing and other processes to achieve a visual breakthrough in film materials.



At present, the 3D texture IML process has achieved mass production and is matured and stable. Currently, the shipment has exceeded 1 million pieces, which has become our company's market-competitive process technology.

Case Study #2: SEJ new product launch


China Kunda is constantly on the lookout for innovations to meet the various needs of our customers. In FY2021, SEJ launched a total of 11 kitchen appliances in 4 categories such as extractor hood, gas stove, kitchenware sterilizing cabinet and Steaming and Roasting all-in-one machine. Such an example would be our newly launched - Steaming and Roasting all-in-one machine. This machine has smart features where it has touch screen operation, variety of menus for selection and listening to videos or radios. It also utilizes glass-ceramic light wave baking technology where it uses the original frequency conversion heating technology and the bottom temperature control system.



Targets and Performance

China Kunda increased its investments for research and development projects in FY2021.

Figure 15: FY2021 China Kunda Innovation and R&D Performance

PERPETUAL TARGET	ACTIONS TAKEN IN THIS REPORTING YEAR (FY2020)	FY2020 PERFORMANCE	FY2022 PLANS
50 ~ 80 new projects yearly	<ul style="list-style-type: none"> • HK\$3.07 million spent on research and development in FY2021, compared to HK\$2.67 million in FY2020 • Review of Innovation Incentive Policy. No material variances were made to the policy. 	 <ul style="list-style-type: none"> • 53 new projects in FY2021 increased from 46 projects in FY2020, including 42 new projects in KPE and 11 new projects in SEJ • Targets achieved 	<ul style="list-style-type: none"> • Seek and co-operate with new customers to develop new projects using existing resources and technology • To achieve 50 new projects in FY2022 while China Kunda continues to consider project quality and economic benefits transformed

ENVIRONMENT

Material Use

In light of the rising prices of industrial raw materials in recent years, careful operational management of the resources that we purchase and use in our production lines will go a long way in not only cost savings but also reducing the amount of waste we generate. China Kunda believes that our consistent monitoring of the raw materials we use will improve economic efficiency and contribute to the Company's sustainable development goals.

Reporting scope for this topic includes operations in both KPE and SEJ.

Management Team

There are two separate core management teams led by the respective general managers responsible for all business activities in KPE and SEJ respectively. The production managers and procurement managers within the core management teams are responsible for material utilization and procurement of raw materials respectively.

Policy

China Kunda has in place an incentive system to reward employees for their performance in managing the Company's resources based on their ability to reduce the overall material cost ratio.

China Kunda's annual KPI is set for each department which is linked to China Kunda's bonus plan. Through the optimization of engineering accounting standards and the lower product defect rate, the material loss will be reduced. The reduction of material used will be reviewed at the end of the year to assess the distribution of department bonuses.


Practices

With the overarching goal of optimizing its manufacturing processes, China Kunda consistently monitors its usage of both renewable and non-renewable materials. We adhere to international standards in our production lines, and in KPE, our management system is ISO14001 and ISO9001 certified. Not only does this translate to cost savings in waste, recycling and consumption in the long run, but it also builds a system that allows the Company to better manage its environmental risks while meeting customer and regulatory requirements simultaneously.

Target

Our efforts in optimizing the efficiency of production have paid off by achieving KPE's FY2021 target of 41% raw material cost ratio in FY2021 (Figure 16).

Figure 16: FY2021 China Kunda Material Use target

FY2021 TARGET	FY2021 PERFORMANCE	FY2022 PLANS
<ul style="list-style-type: none"> Maintain raw material cost ratio of 41% and keep improving for KPE in FY2021⁴ 	<div style="text-align: center;">  </div> <ul style="list-style-type: none"> KPE's raw material cost ratio was 40.56% in FY2021 Target achieved 	<ul style="list-style-type: none"> Raw material cost ratio of 41% and keep improving for KPE in FY2022

Performance

The decline in IMD sales accordingly decreased plastic sheets, paint and protective film usage from KPE, the total consumption of KPE's non-renewable materials⁵ decrease from 539,937kg in FY2020 to 338,588kg in FY2021.

Total renewable material consumption in KPE, mainly cardboard in our operations, increased slightly from 19,374 pieces in FY2020 to 19,440 in FY2021. Our resources recycling practices achieved 26% (5,128 pieces) of cardboard recycled in FY2021, a 10% increase from 16% (3,100 pieces) of cardboard recycled in FY2020. This is due to the increased percentage of existing customers in our client base who have a greater willingness to use recycled cardboard as packaging materials.

Two renewable materials – multi-layer plywood and quartz were used solely in our SEJ operations in FY2021, which increased from 8,340 kg to 24,310 kg and 2,400 kg to 7,120 kg respectively as compared to FY2020, in tandem with the increased sales from customized cabinetry products.

⁴ Raw material cost ratio refers to the percentage of raw material cost over the total cost within the reporting year.

⁵ Total non-renewable material excludes plastic pellets purchased for trading purpose.

ENVIRONMENT

Figure 17: Total weight of non-renewable materials used (Kg)

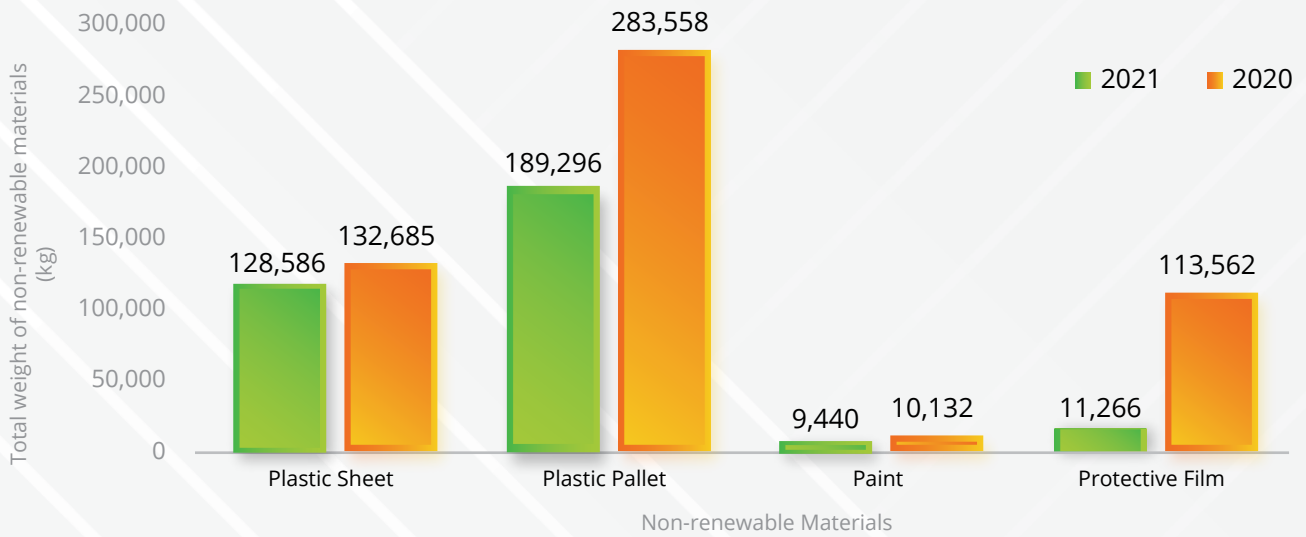


Figure 18: Total pieces of renewable materials used in KPE (Pieces)

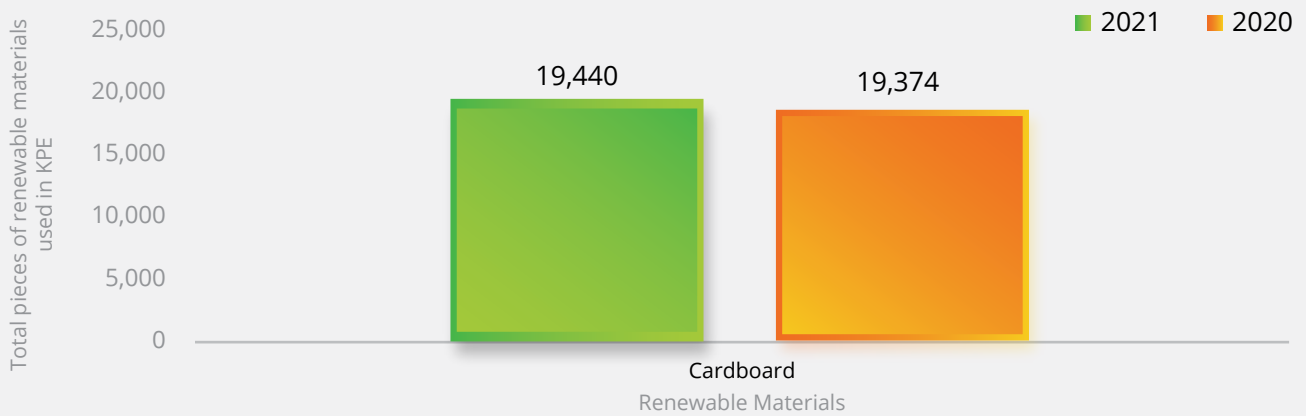
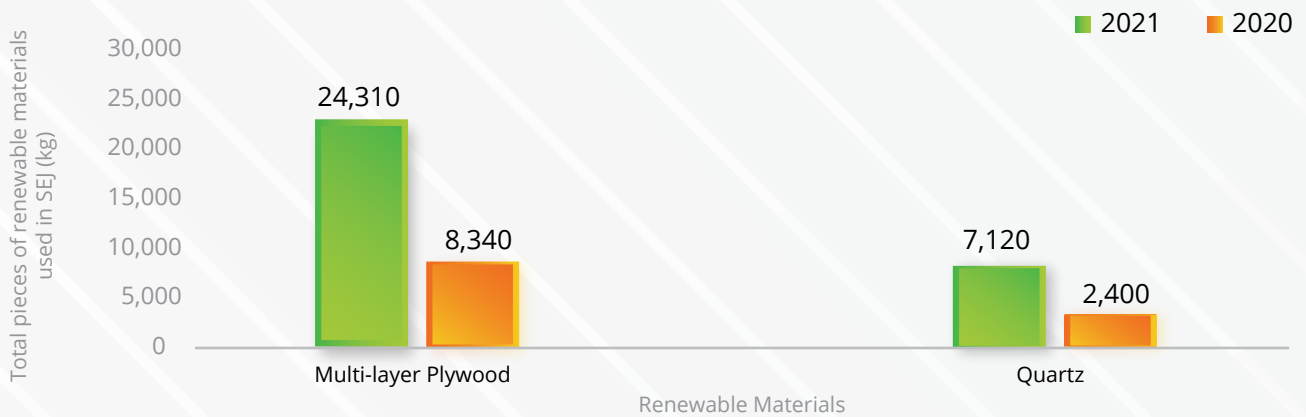


Figure 19: Total weight of renewable materials used in SEJ (Kg)



ENERGY AND EMISSION

As a manufacturing operator, it is extremely detrimental that China Kunda is conscious of our environmental footprint therefore this year, the Group decided to introduce this topic into the reporting as a material ESG factor to manage our energy consumption in a suitable manner. Various policies and procedures have been put in place to guide our efforts in enhancing our internal capabilities in order to increase the energy efficiency in all of the aspects of the Group's operations.

Management Team

There are two separate core management teams led by the respective general managers responsible for all business activities in KPE and SEJ respectively. The production managers and procurement managers within the core management teams are responsible for material utilization and procurement of raw materials respectively.

Policies

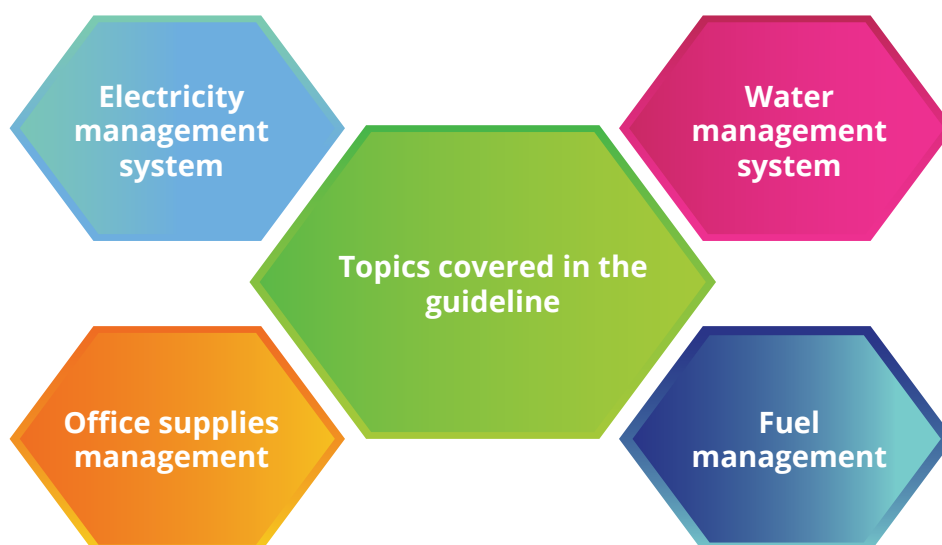
At China Kunda, energy-saving management is an important part of the company's operation and management. Therefore, we ensure that

- All employees have a role to participate in and perform energy-saving work.
- All departments will help to strengthen energy conservation publicity and actively promote new energy conservation technologies and facilities.
- Our management system is following the national energy management guidelines which will be integrated into our daily routines at the company's production.
- Our energy management efforts adhere to the principles of relevant national laws and policies.

Practices

Through the years, China Kunda has identified several common findings at different sites and has set up a guideline for Energy Management System. This guideline provides the desired practices at offices and worksites of China Kunda. The relevant topics in the guideline are as follow:

Figure 20: Topics covered in the guideline



ENERGY AND EMISSION

Case Study #3: Managing the energy consumption in workspaces

To ensure that we maintain our energy consumption at workplaces, we have an Energy Management System that has been put in place. Such example of initiatives would be to turn off the computer display screen and disconnect the power supply after working hours, computers, printers, fax machines and photocopiers should be turned on only when needed and it should be set at automatic energy-saving consciously turn off the power of various electrical appliances when they get off work.



Emergency Lighting

The air conditioner at our offices are also set to a reasonable temperature and all the doors and windows are to be closed when the air conditioner is turned on. We will also regularly clean the fan coil, filter and other devices of the air-conditioning system to improve the energy efficiency of the air-conditioning system. In order to save energy, we will try to purchase energy-efficient equipment as much as possible and priority should be given to purchasing energy-saving equipment. Since this implementation, China Kunda has been purchasing energy-efficient equipment



Energy-efficient Equipment

By FY2021, for the SEJ business, 100% lighting fixture has changed to LED lighting. The sensor has also been installed at the staircase so that lights will only be switched on only when needed.

Electricity Management

To ensure that we manage our electricity usage at offices, the Electrical Technology Department will have to make sure that there is a normal supply of power for the entire company, supervise and inspect the power consumption of each workshop and its various departments. From there, they would then put forward new suggestions for saving electricity and actively cooperate with the various departments on saving electricity.

As for the company production, the production department has come up with reasonable scheduling for the equipment. For some major power-consuming equipment, the production team would try to focus on production, and strictly control the starting shifts so as to try to increase the load rate and reduce its unit power consumption.

Fuel Management

At China Kunda, we will ensure that there is an efficient use of vehicles. We are transparent on the fuel consumption of the vehicles to the public and using the statistics posted, we will reasonably determine the service life of vehicles, and promptly scrap and eliminate vehicles with high fuel consumption and environmental non-compliance. We have been conducting training on driving behaviour, providing regular maintenance on their vehicle that is in operation and maximizing the load for each trip. We also continuously monitor the management system of office vehicles and provide daily maintenance to the vehicles to improve the efficiency of vehicle use. To minimize unnecessary trips of the office vehicles, during each trip, a list of things is to be made and drivers will strive to complete the tasks within one trip. By doing this, we aim to maximize each trip and reduce the waste of energy and environmental pollution caused by the trip.

Target

Figure 21: FY2021 China Kunda Energy and Emissions target

FY2022 TARGET	FY2021 PERFORMANCE	FY2022 TARGET
<ul style="list-style-type: none"> To ensure that the total energy cost and expenses⁶ is less than 5% of the total cost and expenses⁷ 	<div style="text-align: center;">  </div> <ul style="list-style-type: none"> Energy cost and expense is 3.7% of the total cost and expenses Target achieved 	<ul style="list-style-type: none"> To ensure that the total energy cost and expense is less than 2% of the total cost

⁶ Energy cost and expenses is the cost and expenses to use each form of energy within a property, i.e. fuel and electricity expense.

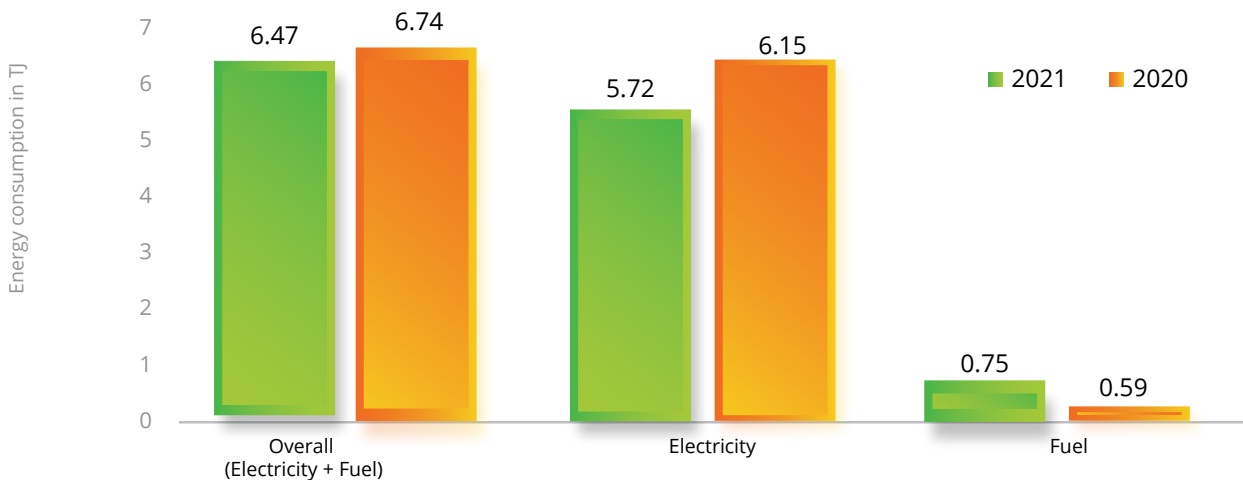
⁷ Total cost and expenses is the aggregate amount of costs of sales and operating expenses associated with selling and administration.

ENERGY AND EMISSION

Performance

At China Kunda, we continuously improve our energy consumption at our offices and worksites. We are pleased to announce that through the combined efforts of all the employees at China Kunda, our overall energy consumption has decreased from 6.74 TJ in FY2020 to 6.47 TJ in FY2021, a 4.2% decrease. This is mainly due to the decrease in the use of electricity in the offices and worksites where the energy consumption of electricity decreased from 6.15 TJ in FY2020 to 5.72 TJ in FY2021. As for the fuel consumption, there is a slight increase of 0.59 TJ in FY2020 to 0.75 TJ in FY2021 in the usage of gasoline for the company vehicles as the number of cars increased to facilitate business expansion.

Figure 22: FY2021 China Kunda Overall and Breakdown of Energy Consumption (in TJ)



We have calculated the greenhouse gas (GHG) emissions of Scope 1 and Scope 2⁸ from our business activities as shown in Figure 23 and Figure 24. In FY2021, our scope 1 emissions have a 27.1% increase from 41.03 tCO₂ in FY2020 to 52.16 tCO₂ in FY2021 and this is mainly because of the increased usage of gasoline for the company vehicles. Due to the decreased consumption of electricity, there was a 7.6% decrease in our scope 2 emissions in FY2021 where it has decreased from 1,042.38 tCO₂ to 968.71 tCO₂. Overall, our total GHG emissions decreased by 62.38 tCO₂ or 5.76% from FY2020.

Figure 23: FY2021 China Kunda Total greenhouse gas emissions (Scope 1)

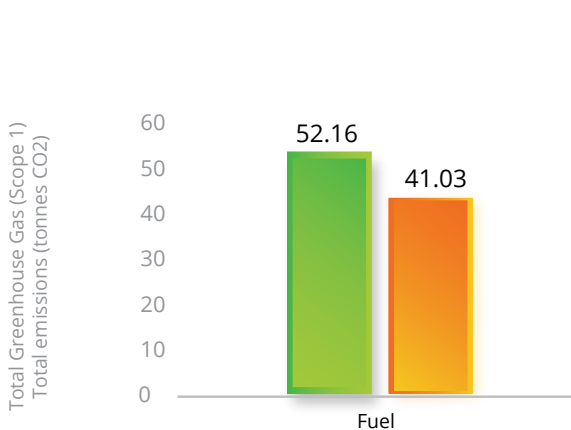
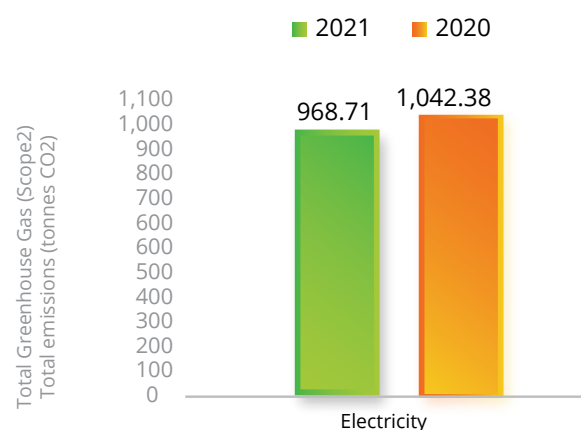


Figure 24: FY2021 China Kunda Total greenhouse gas emissions (Scope 2)



⁸ Scope 1 is direct emissions from operations that are owned or controlled by the Group.

Scope 2 is emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the Group.

Training and Advancement

China Kunda's employees play a crucial role in the sustainable development of the Company, and we invest resources in providing them with the necessary training and development. For each employee, such training opportunities allow them to acquire new skills, sharpen existing ones, and help them further their career growth; for the Company, investing in our employees will increase productivity and efficiency, allowing us to gain a competitive advantage.

Reporting scope for this topic includes operations in both KPE and SEJ.

Management Team

Human Resources departments who are responsible for arranging the trainings and overseeing the employees' performance reviews are set in both KPE and SEJ.

Practices

New hires are required to attend mandatory orientation workshops conducted by the Human Resources Department, which provide important information regarding production safety, mechanical operation, craftsmanship and product quality requirements. These orientation programs are also an avenue for employees to integrate into our Company culture seamlessly. This FY2021, given the current pandemic situation, the HR Department has conducted trainings on the safe measurements that employees should take at their workplace.

China Kunda has also arranged external off-site trainings for our employees. These training courses will enable our people to upgrade their skills.

In addition to our commitment towards providing all employees with training, China Kunda also provides employees with tailored career planning sessions based on results from the regular employee performance assessments. This helps the Company better understand each employee's career goals and enable us to align them with long-term Company objectives.



Lastly, China Kunda provides subsidies to our employees who seek to further upgrade their education and skills. A training institution has been set up to regulate the management of training subsidies. An incentive system is also put in place to reward employees that have excellent performance in training sections.

SOCIAL

Target

In FY2021, we achieved 100% performance evaluation and increased our total training hours for our employees. Details of our training hours can be found in the performance section below.

Figure 25: FY2021 China Kunda Training and Advancement Performance

PERPETUAL TARGET	FY2020 PERFORMANCE
100% of employees undergo a performance evaluation	 Target achieved
Increase total training hour	 Target achieved

Performance

To achieve our target of increasing total training hours in FY2021, more trainings are arranged for our employees. Examples of our trainings include trainings on communication skills for sales staff, trainings on Enterprise Resource Planning (“ERP”) system standard operations, front-line employees pre-job trainings, corporate culture trainings and specialised trainings arranged for managerial employees only, such as career planning and management skills trainings. As a result, the total training hours for our employees increased by 16.0% from 5,937 hours in FY2020 to 6,886 hours in FY2021. Average training hours also increased by 17.8% from 45.67 hours in FY2020 to 53.80 hours in FY2021.

Figure 26: Average training hours by gender in KPE and SEJ

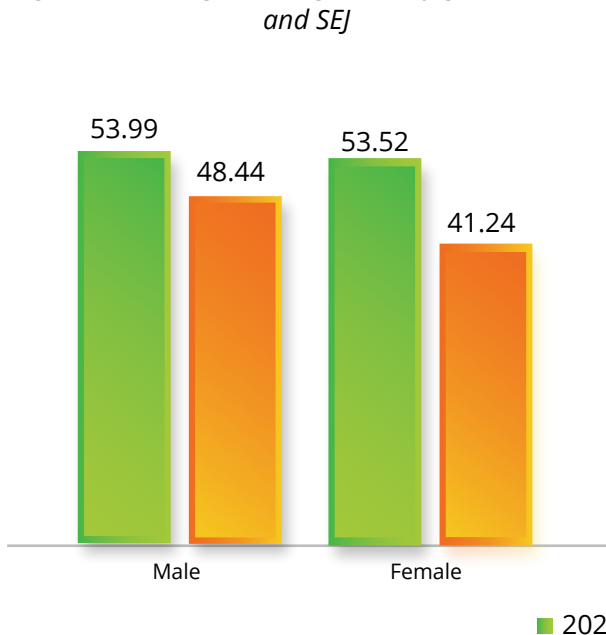
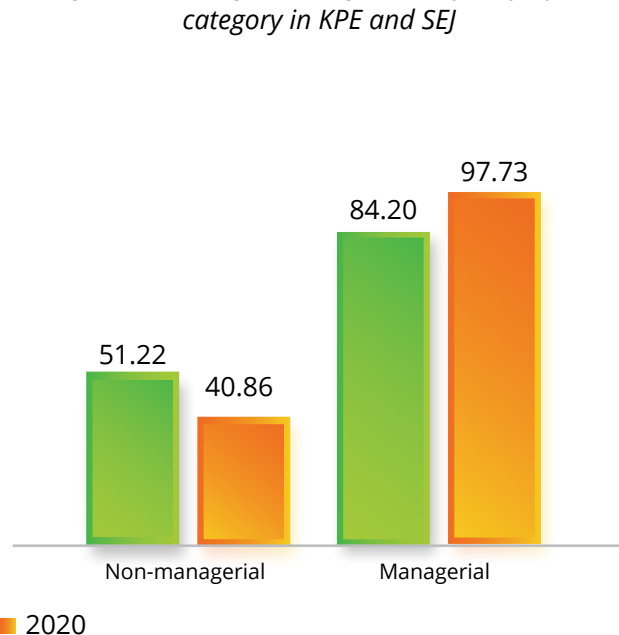


Figure 27 Average training hours by employee category in KPE and SEJ



Case Study #4: Internal development programs

China Kunda believes in providing our employees with various opportunities to grow. In FY2021, multiple meetings, trainings and tea sessions were arranged. For example, our strategic meeting in KPE reviewed our overall work performances in FY2020 which included our achievements and weaknesses and how we can benefit from these experiences to do better in FY2021. The purpose of these meetings, trainings or tea sessions is to ensure that our employees are growing in the same direction with the Company as well as interacting with the employees. The company conducts training for different positions, including,

1. New hire trainings, mainly about corporate culture and company regulations and policy
2. Marketing management, communication skills training for the salesman
3. Fire drill for all employees
4. Career planning training and management training for managerial employees

The internal development program and meetings will increase the employees' understanding of the company and enhance their sense of belonging and ownership of the company, to facilitate future work. After the training, our employees can follow the standard to operate and strengthen their emergency handling capabilities, therefore, the likelihood of operation incidents can be reduced. We provide opportunities for self-improvement through learning new knowledge. It helps us to gather talents, increase productivity and performance and improve organizational structure.



SEJ Internal Trainings



KPE 2021 Strategic Meeting



KPE 2021 Sales Seminar



Case Study #5: External field trips and learning journeys

In FY2021, we also organised several out-of-office development programmes for our employees to participate in, which not only included field trips and learning components but also provided opportunities for the unity of the employees. These activities also provided an avenue for employees to form connections with people outside their professional expertise and determine their career paths.

In KPE, we have also arranged a trip to a well-known attraction in China, Qilangshan. We took this as an opportunity to let our people share their experience, exchange their views as well as motivating the employees. Team building can cultivate the collaboration and team awareness of the core team so that employees can fully realize the strength of the collective, enhance team cohesion. Meanwhile, this is an opportunity to relax and get close to nature, have work-life balance, do exercise and increase employees' passion for work.



KPE's employees on a trip to Qilangshan



KPE's employees on their field trip

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China Kunda Technology Holdings Limited
100 Peck Seah St, #08-14 PS100, Singapore 079333
Tel: (65) 68178944 Email: ir@chinakunda.com