CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED
(Company Registration Number: 200712727W)
(Incorporated in the Republic of Singapore on 13 July 2007)

ENTRY INTO A SALE AND PURCHASE AGREEMENT RELATING TO THE PROPOSED DISPOSAL BY THE COMPANY OF THREE SUBSIDIARIES

1. INTRODUCTION

The Board of Directors of China Kunda Technology Holdings Limited (the "**Company**" and together with its subsidiaries the "**Group**") wishes to announce that the Company, had on 10 June 2014 entered into a conditional sale and purchase agreement (the "**Agreement**") with Mr Yu Jiahong (the "**Purchaser**"), pursuant to which the Company will dispose of three subsidiaries, namely, Kunda Mould (International) Company Limited ("**KMI**"), 群达摸具（深圳）有限公司 (Kunda Mould (Shenzhen) Co. Ltd.) ("**KMS**"), and 长春一汽四环力达冲压制品有限公司 (Changchun FAW-Sihuan Lida Pressed Component Co. Ltd.) ("**CCL**") (collectively "**Sale Entities**") through the sale of all the shares ("**Sale Shares**") in KMI to the Purchaser ("**Proposed Disposal**").

After the completion of the Proposed Disposal, the Group's principal businesses will be i) the manufacture and sale of In-Mould-Decoration ("**IMD**') and other plastic components and ii) the manufacture and sale of plastic automobile components from our factory in Beijing. The Group will continue to review its current business model and asset deployment to achieve a more competitive and efficient business model for the Group. The Group is also actively reviewing our product mix and assessing new products with good long term prospects that will improve the overall financial position of the Group.

For the purpose of this Announcement:

"**BBA**" refers to 北京白菊汽车零部件有限公司 (Beijing Baiju Automobile Component Co., Ltd), an indirect 57% owned subsidiary of the Company held through KMS as at the date of this Announcement.

"**Changchun Restructuring**" refers to the transactions contemplated under the sale and purchase agreement dated 10 October 2012 between KMS and 吉林省国安集团有限公司 (Jilin Guo'An Group Co., Ltd), pursuant to which KMS will increase the equity interest held by KMS in CCL from 54% to 90% and will dispose of its 60% equity interest in长春群达国安汽车塑胶模具有限公司 (Changchun Kunda-Guo'an Automobile Plastic Mould Co., Ltd). These transactions had been approved by the shareholders of the Company during an Extraordinary General Meeting held on 28 November 2012.

"**Completion**" means the completion of the Proposed Disposal.

"**Completion Date**" means the date falling within 30 business days from the Benchmark Date (as defined below) or such later date as the Parties may agree in writing and subject to all the conditions precedent set out in the Agreement have been fulfilled or otherwise waived in writing.

"**KPE**" refers to 群达塑胶电子（深圳）有限公司 (Kunda Plastic Electronics (Shenzhen) Company Limited), a wholly-owned subsidiary of YKT;

"**Inter-Company Balances**" means all net amounts owing by the Sale Entities to the Group.

"**Management Accounts**" means in relation to each Sale Entity, the (consolidated, if applicable) unaudited financial statements of the relevant Sale Entity (comprising a balance sheet and profit and loss statement) prepared with respect to that Sale Entity for the period up to the Benchmark Date, (unless otherwise agreed by the Parties) which can be independently reviewed and certified by auditors appointed by the Purchaser (unless otherwise agreed by the Parties);.

"**Party**" means either the Company or the Purchaser, and "**Parties**" means the Company and the Purchaser together.

"**PRC**" means the People's Republic of China.

"**Property**" means the land and factory buildings located at No.3458 Qingnian Road, Kuancheng District, Changchun City, Jilin Province, PRC, occupying an aggregate land area of approximately 29,272 sq. m. and an aggregate built-up area of approximately 18,666 sq. m..

"**Trade Mark**" means the trademarks owned by KMS.

"**Valuer**" means 深圳市银通联资产评估有限公司 (Shenzhen Ying Tong Lian Asset Valuation Co., Ltd.)

"**YKT**" means Yick Kwan Tat Enterprise Company Limited which is a wholly-owned subsidiary of the Company.

2. INFORMATION ON THE ASSETS TO BE DISPOSED OF

2.1 *Particulars of the assets acquired or disposed of, including the name of any company or business where applicable.*

KMI was incorporated in Hong Kong on 11 March 2004. It is a direct wholly owned subsidiary of the Company and is the holding company of all the other Sale Entities, namely KMS and CCL . It has an issued and paid-up share capital of HK$1,000,000 divided into 1,000,000 ordinary shares.

KMS was established in the PRC on 15 August 2008. It is an indirect wholly owned subsidiary of the Company held through KMI. It has an issued and paid-up capital of US$6,000,000.

CCL was established in the PRC on 26 May 2008. The Company will, through KMS, increase its effective equity interest in CCL from 54% to 90% as part of the Changchun Restructuring. As part of the Proposed Disposal, the Company shall sell its effective 90% equity interest in CCL, assuming that the Changchun Restructuring has been completed. It has a total issued and paid-up capital of RMB 30,000,000.

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2.2 *A description of the trade carried on, if any.*

The principal business activities of the Sale Entities are as follows.

Name of Sale Entity	**Principal Business Activities**
KMI	Sale of moulds and IMD products
KMS	Manufacture and sale of moulds
CCL	Production and sale of stamped metal automobile components

2.3 *Particulars of the purchaser of the assets*

The Purchaser is a Hong Kong businessman and is in the business of manufacturing automated gate systems in the PRC.

As at the date of this Announcement, the Purchaser holds 3,050,000 ordinary shares in the Company which is equivalent to 0.87% of the entire issued and paid-up share capital of the Company. As the Purchaser is neither a substantial nor controlling shareholder of the Company, the Proposed Disposal does not constitute an interested person transactions falling within Chapter 9 of the Listing Manual.

3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL UNDER THE AGREEMENT

3.1 *The aggregate value of the consideration, stating the factors taken into account in arriving at it and how it will be satisfied, including the terms of payment*.

The aggregate consideration ("**Consideration**") for the purchase of the Sale Shares shall be determined based on the following formula:

Consideration = Net Book Value – Minority Interest – Final Inter-Company Balances + CCL Assets Value

Where:

"**Net Book Value**" means the aggregate net book value of the Sale Entities as at the Benchmark Date based on the Management Accounts assuming that the Changchun Restructuring has been completed and excluding KMS' investment cost in BBA as at the Benchmark Date;

"**Minority Interest**" means the minority interest attributable to the Sale Entities as at the Benchmark Date;

"**Final Inter-Company Balances**" means the Inter-Company Balances as at the Benchmark Date; and

"**CCL Assets Value**" means HK$11,240,000 which is the sum equivalent to 90% of the valuation premium of HK$12,489,000 over the net book value of the Property of CCL as at 31 March 2014 that is deemed to belong to the Group assuming completion of the Changchun Restructuring.

The Purchaser shall pay to the Company or its wholly owned subsidiaries the entire Consideration in cash before Completion Date.

The Consideration was mutually arrived after arms' length negotiations between the Company and the Purchaser on a willing seller and willing buyer basis.

The Purchaser and the Company will determine a date ("**Benchmark Date**") for the determination of the Consideration after the Company had received all approvals required for the Proposed Disposal. The Benchmark Date shall be a date within two months following the receipt of all approvals required by the Company to complete the sale. Subject to there having been Completion, the Proposed Disposal will take effect from the Benchmark Date and risk and rewards associated with the Sale Shares shall as from the Benchmark Date pass to the Purchaser, notwithstanding that Completion shall take place subsequent to the Benchmark Date.

3.2 *Whether there are any material conditions attaching to the transaction including a put, call or other option and details thereof.*

The sale and purchase of the Sale Shares is subject to the following conditions precedent:

(a) All approvals (if necessary) from any relevant authorities in Singapore, Hong Kong and the PRC for the transactions contemplated under the Agreement, on terms acceptable to the Company, having been obtained by the Company and continuing to be in force (for avoidance of doubt, the Company will not be responsible for government approvals in connection with the disposal, equity interest transfer, appointment and removal of officers as contemplated under Changchun Restructuring);

(b) the approval of the shareholders of the Company being obtained at an extraordinary general meeting of the Company (or any adjournment thereof) in respect of the transactions contemplated in the Agreement;

(c) all consents (if necessary) from any persons in connection with any agreements binding on the Group for the transactions contemplated under the Agreement;

(d) the transfer of all of KMS' equity interest in BBA to the Company or any of its related companies at a nominal consideration;

(e) the Parties having duly executed Trade Mark Licence Agreement in relation to the grant of an exclusive, royalty-free licence by KMS to the Group to use the Trade Mark for a minimum period of ten (10) years commencing from the date immediately after the Completion Date; and

(f) there having been, as at the Completion, no occurrence of any event nor the discovery of any fact rendering untrue or incorrect in any respect any of the representations or warranties granted by the Purchaser under the Agreement.

In addition, the Parties agree that as at Benchmark Date, the Changchun Restructuring shall be deemed to have been completed and that the Company, through KMS, holds 90% of the equity interest in CCL and the Consideration is computed on the basis that the Changchun Restructuring had been fully completed. Upon Completion, the Purchaser shall assume all rights and obligations in relation to the uncompleted Changchun Restructuring and the Purchaser shall be responsible for the actual completion of the Changchun Restructuring. Neither the Company nor KMS shall be liable for any losses or liabilities arising from the Changchun Restructuring after Completion and no claim shall be brought by the Purchaser against the Company and/or the Group for costs, damages, compensation or otherwise in connection with the Changchun Restructuring regardless of whether the Changchun Restructuring shall be completed.

As contemplated under the Agreement, the 57% equity interest in BBA which is currently held by the Group through KMS, will be transferred to another existing subsidiary of the Group for a nominal consideration before the completion of the Proposed Disposal.

The Purchaser will grant YKT and KPE a rent-free period commencing from the Benchmark Date up to and including 30 April 2015 in respect of the lease at Bao Long Industrial Park, Bao Long Yi Road, Longgang District, Shenzhen City, Guangdong Province, the PRC.

Under the terms of the Agreement, the "**Long Stop Date**" is defined to mean 9 months from the date of the Agreement, or such later dates as the Parties may agree in writing. In the event that the above conditions is not fulfilled by the Long Stop Date (unless waived under the Agreement), then save as expressly provided in the Agreement, the Agreement shall automatically terminate and neither Party shall have any claim of any nature whatsoever against the other Party under the Agreement.

3.3 *The value (book value, net tangible asset value and the latest available open market value) of the assets being acquired or disposed of, and in respect of the latest available valuation, the value placed on the assets, the party who commissioned the valuation and the basis and date of such valuation.*

Based on the latest unaudited financial statements of the Group for the financial year ended 31 March 2014 ("**FY2014**"), the net liability value represented by the Sale Shares was approximately HK$46,855,000, assuming that the Changchun Restructuring has been completed.

A valuation of the Property owned by CCL was carried out by the Valuer on an open market valuation basis. Based on the valuation report dated 6 March 2014, the total value placed on the Property was RMB32,041,891. As at 31 March 2014, the net book value of the Property was RMB22,051,000 (equivalent to HK$27,515,000).

For the purpose of illustration, the Consideration assuming that the Benchmark Date is 31 March 2014 is:

Consideration (HK$'000)	=	Net Book Value – Minority Interest – Final Inter-Company Balances + CCL Assets Value
	=	(46,855) – 790 – (73,427) + 11,240
	=	37,022

The actual Consideration will be determined based on the Benchmark Date to be agreed between both Parties, as elaborated in paragraph 3.1 above.

3.4 *In the case of a disposal, the excess or deficit of the proceeds over the book value, and the intended use of the sale proceeds. In the case of an acquisition, the source(s) of funds for the acquisition.*

On the assumption that the Benchmark Date is 31 March 2014 and the aggregate Consideration is HK$37,022,000, the Consideration represents an excess of HK$11,240,000 over the net book value of the Sale Shares as at 31 March 2014 (after adjustment for Minority Interest and Final Inter-Company Balances).

The actual excess or deficit of the proceeds over the net book value of the Sale Shares can only be finalised after the Completion.

The Company intends to use the net proceeds received from the Proposed Disposal for its general working capital.

3.5 *The net profits attributable to the assets being acquired or disposed of. In the case of a disposal, the amount of any gain or loss on disposal.*

Assuming that the Changchun Restructuring has been completed, the net loss of KMI, KMS and CCL for FY2014 were HK$1,736,000, HK$36,401,000 and HK$6,060,000 respectively, and the net loss attributable to the Sale Shares is HK$44,197,000. Assuming the Proposed Disposal had been completed on 31 March 2014, the Group would recognise a gain on disposal of HK$11,240,000 at the Group level based on the unaudited net book value represented by the Sale Shares (after adjustment for Minority Interest and Final Inter-Company Balances) as at 31 March 2014.

The actual gain or loss on the Proposed Disposal can only be finalised after the Completion.

4. THE PROPOSED DISPOSAL AS A MAJOR TRANSACTION

Based on the unaudited consolidated financial statements of the Group for the financial year ended 31 March 2014, the relative figures in respect of the Proposed Disposal, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

	Relative Figures (%)
Rule 1006 (a) Net asset value of the assets to be disposed of (HK$26.572 million – **Note A**), compared with the group's net asset value (HK$65.141 million)	40.8%
Rule 1006 (b) Net profits attributable to the assets disposed of, compared with the Group's net profits	Not meaningful (**Note B**)
Rule 1006 (c) Aggregate value of consideration given or received (HK$37.022 million), compared with the market capitalisation of the Company as at 9 June 2014 (HK$76.399 million), being the last full market day immediately preceding the execution of the Agreement	48.5%
Rule 1006 (d) The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	nil

Notes:-

(A) Relates to the consolidated net asset value of the assets to be disposed assuming the completion of the Changchun Restructuring has taken place on 31 March 2014. It is equivalent to the Net Book Value (minus HK$46,855,000) add the elimination of Final Inter-Company Balances (HK$73,427,000), assuming that the Benchmark Date is 31 March 2014.

(B) Not meaningful as the Sale Entities had been loss making in FY2014. The net loss attributable to the assets disposed of is HK$44.197 million, assuming the completion of the Changchun Restructuring on 31 March 2014. The net Loss of the Group for FY2014 is HK$85.524 million. The relative figure, computed on a loss against loss basis is 53.6%.

5. FINANCIAL EFFECTS

The financial effects of the Proposed Disposal on the Group set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after the completion of the Proposed Disposal.

The financial effects have been prepared on a proforma basis using the latest unaudited consolidated financial statements of the Group for the FY2014.

5.1 *The effect of the transaction on the net tangible assets per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the end of that financial year.*

Assuming that the Proposed Disposal had been completed on 31 March 2014 and based on the Group's unaudited consolidated financial statements for FY2014, the effects on the Net Tangible Assets ("**NTA**") per Share of the Group are as follows:

As at 31 March 2014	Before the Proposed Disposal	After the Proposed Disposal
NTA (HK$'000)	65,141	61,928
NTA per share (HK cents)	18.5	17.6
NTA less non-controlling interest (HK$'000)	34,843	41,397
NTA less non-controlling interest, per share (HK cents)	9.9	11.8

5.2 *The effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year.*

Assuming that the Proposed Disposal has taken place on 1 April 2013 and based on the Group's consolidated financial statements for FY2014, the Proposed Disposal would have the following effects on the Group's loss per Share as presented in the following table:

FY2014	Before the Proposed Disposal	After the Proposed Disposal
Consolidated net loss attributable to shareholders of the Company (HK$'000)	73,056	10,173
Loss per share (HK cents)	20.8	2.9
Consolidated net loss attributable to shareholders of the Company, excluding the financial effects of the Proposed Disposal (HK$'000)	73,056	26,029
Loss per share (HK cents)	20.8	7.4

5.3 *The effect of the transaction on the gearing of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the end of that financial year.*

Assuming that the Proposed Disposal has taken place on 31 March 2014 and based on the Group's consolidated financial statements for FY2014, the Proposed Disposal would have the following effects on the Group's gearing as presented in the following table:

As at 31 March 2014	Before the Proposed Disposal	After the Proposed Disposal
Gearing (HK$'000)	45%	0%

5.4 *The effect of the transaction on the issued share capital and number of shares of the issuer as at the date of the announcement*

The Proposed Disposal would not impact on the issued share capital and the number of shares of the Company.

6. RATIONALE FOR THE TRANSACTION

The rationale for the transaction including the benefits which are expected to accrue to the issuer as a result of the transaction.

6.1 The Proposed Disposal will dispose of significant loss-making entities of the Group and is expected to improve the overall profitability of the Group

The Company is proceeding with the Proposed Disposal in view of the weak financial performance of the Sale Entities. The Sale Entities have been reporting losses in the last 3 financial years, resulting in a depletion of reserves and cash resources of the Group. The Company believes that prospects of the Sale Entities are not favourable, and the Proposed Disposal will allow the Group to restructure its existing business mix to achieve a better business mix and a stronger financial performance.

Referring to paragraph 5.2 above, assuming the completion of the Proposed Disposal at 31 March 2014 and excluding the gain from the Proposed Disposal, the consolidated net loss of the Group attributable to shareholders of the Company will decrease from approximately HK$73.1 million to approximately HK$26.0 million.

KMI and KMS collectively comprise the mould segment of the Group. The mould business unit generally requires a production cycle time of 6 months to 9 months resulting in a longer cash conversion cycle, and requires a longer period of turn-around time to achieve better financial performance. CCL is less developed as compared to the Group's other entities and will require a longer gestation period to develop its business. It is the smallest independent entity within the Group with average monthly revenue of HK$2.3 million in FY2014, and would require a longer period of time to achieve economies of scale.

6.2 The Proposed Disposal is expected to improve the overall financial position of the Group

The following financial ratios presents the financial position of the Group for the financial year ended 31 March 2014, assuming that the Proposed Disposal was completed on 31 March 2014.

Financial ratio	After the Proposed Disposal	Before the Proposed Disposal
Trade receivable turnover days	74	79
Inventory turnover days	47	80
Trade payable turnover days	137	129
Cash conversion cycle	(10)	35
Current ratio	1.56	1.18
Gearing	0%	45%
Cash ratio (cash and bank / current liabilities)	0.57	0.21

Referring to the table above, the Proposed Disposal will significantly decrease the gearing of the Group as the borrowings of the Group are held by KMS and CCL. Assuming the completion of the Proposed Disposal on 31 March 2014, the overall gearing of the Group will improve from 45% to nil. Short term liquidity is also expected to improve with faster cash conversion and improvements in current and cash ratios. This will provide the Group with more financial flexibility to allocate our group's resources more effectively.

FY2014 Actual	Mould	Auto components		IMD
Days		**Beijing**	**Changchun**	
Trade receivables	69	66	172	104
Inventory	284	37	43	52
Trade payables	138	124	111	160
Cash conversion	193	(18)	110	1

In addition, the mould business is a capital intensive business with a longer production cycle time while the Changchun automobile component business has a longer trade receivable cycle. These are reflected in the above working capital ratios. In comparison, the manufacture of automobile components in Beijing and the IMD business have more rapid conversion cycles and the Proposed Disposal should improve the overall working capital of the Group. The shorter cash conversion cycles of the automobile components manufacturing division in Beijing and the IMD manufacturing division will provide the Group with the operational and financial flexibility to expand the business volume of the automobile components manufacturing division in Beijing and/or the IMD manufacturing division or invest in other new products or business opportunities if such an opportunity arises. The Group may not have such flexibility if it needs to sustain the longer working capital requirements of the mould division and CCL.

6.3 Disposal of the Property at valuation

The Proposed Disposal allows the Group to liquidate the Property belonging to CCL at a gross valuation surplus of HK$12,489,000 (with the Group's 90% stake at HK$11,240,000). The Proposed Disposal will allow the Group to realise its gains on this Property and redeploy funds to alternative usages.

If the Property were to be sold individually as an asset to a potential buyer, the transaction would incur fees and taxes of HK$ 2.26 million (the Group's 90% share would be approximately HK$2.03 million), based on the independent valuation of the Property. The disposal of the Property through the Proposed Disposal would not incur such fees and taxes.

6.4 Watch-list of the SGX-ST

On 4 September 2013, the Company was place on the watch-list of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Pursuant to Rule 1314 of the Listing Manual, the Company may apply for its removal from the watch-list if it records consolidated pre-tax profit for the most recently completed financial year (based on the latest full-year consolidated audited accounts, excluding exceptional or non-recurrent income and extraordinary items) and has an average daily capitalisation of S$40 million or more over the last 120 market days on which trading was not suspended or halted, or if the Company satisfies the quantitative criteria in Rules 210(2)(a) or 210(2)(b) of the Listing Manual for listing of equity securities on the Mainboard of the SGX-ST.

Should the Company be unable to meet the requirements of Rule 1314 of the Listing Manual by 3 September 2015, the SGX-ST may either remove the Company from its Official List, or suspend trading of the Shares with a view to removing the Company from its Official List. In the event that the SGXST exercises its power to remove the Company from its Official List at such time, any exit alternative offered by the Company may or may not be reasonable and Shareholders may lose some or all of their investment in the Company.

The Directors believe that the Proposed Disposal will facilitate the removal of the Company from the watch-list of the SGX-ST for the reasons set out in paragraphs 6.1 to 6.3 above.

7. OTHER MATTERS

7.1 *Circular*

A circular containing further information on the Proposed Disposal and the other matters contemplated under the Agreement and enclosing the notice of the extraordinary general meeting of the Company will be dispatched by the Company to shareholders in due course.

7.2 *Interest of Directors and Controlling Shareholders*

None of the Directors or controlling shareholders of the Company have any direct or indirect interest in the Agreement or the Proposed Disposal, other than through their respective shareholdings in the Company.

7.3 *Service contracts of the Directors*

No person is proposed to be appointed as a Director of the Company or any of its subsidiaries in connection with the Proposed Disposal.

7.4 *Directors' responsibility statement*

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Agreement, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading.

The Directors confirm that the terms of the Proposed Disposal do not contravene any laws and regulations governing the Company and the articles of association of the Company.

7.5 *Documents for Inspection*

A copy of the Agreement and independent valuation report will be available for inspection during normal business hours at the Company's registered office at SGX Centre 2, #17-00, 4 Shenton Way, Singapore 068807 for three (3) months from the date hereof.

By Order of the Board

Cai Kaoqun
Executive Chairman and CEO
10 June 2014