



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

PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS TO INCLUDE MANUFACTURE AND DISTRIBUTION OF FURNITURE AND OTHER RELATED ACTIVITIES

1. INTRODUCTION

The board of Directors (the "**Board**") of China Kunda Technology Holdings Limited (the "**Company**") and together with its subsidiaries, the "**Group**") wishes to announce that the Group proposes to diversify its business of the Group ("**Existing Business**"), to include the manufacturing and distribution of furniture and other related activities ("**Furniture Business**") (the "**Proposed Diversification**").

2. INFORMATION ON THE PROPOSED DIVERSIFICATION

2.1. Background

Subsequent to the closure of the Group's production facility of automobile component parts in Beijing, the Group's management has been actively exploring new potential business opportunities that will support the long-term prospects of the Group.

While the Group continues to strengthen our principal business operations of the manufacture and sale of in-mould decoration ("**IMD**") and other plastic components (the "**Existing Business**"), the Board believes the Proposed Diversification allows the Group to enter a new market; presenting a potentially new revenue stream and enhance the financial position of the Group in the long term.

2.2. Furniture Business

Subject to the approval by shareholders of the Company (the "**Shareholders**"), the proposed businesses to be covered under the Furniture Business are as follows:-

- (a) Engage in design and development of furniture and fittings, which includes but not limited to cabinets, appliances, surfaces, woodwares, decorative products ("**Products**");
- (b) Manufacture, distribute and assemble the Products; and
- (c) Provide consultancy services with respect to the Products and other related activities.

At the preliminary stage, the Group proposes to focus the expansion of the Furniture Business in the People's Republic of China ("**PRC**") and is of the intention to incorporate a new subsidiary in anticipation of the Furniture Business.

2.3. Rationale of the Proposed Diversification

- (i) *Enhance Shareholders' value*

The Proposed Diversification will enable the Group to enter into a new market offering new business opportunities which would potentially provide additional and recurrent revenue

streams and assist in continual growth of the Group, hence contributing positively to the Group's financial position and in turn enhance Shareholders' value.

(ii) Complementary to existing business

The technologies of IMD and plastic components can be applied in the manufacture of furniture and related appliances. As such, the Group endeavours to potentially leverage on the Group's current experience and knowledge in the related field which would provide a competitive advantage to the Group as a new entrant and synergy to the Group's existing operations.

(iii) Reducing reliance of the Existing Business

With the closure of the automobile components production facility of its subsidiary, Beijing Baiju Automobile Component Company Limited ("**BBJ**") in Beijing, PRC, the Group relies entirely on the contribution from the Existing Business.

With the new business opportunities that the Furniture Business provides, the Group would be able to reduce its reliance on the Existing Business, which remains challenging. The Proposed Diversification also mitigates volatility in the Existing Business and supports the Group's long-term prospects.

(iv) Potential in the Furniture Business

With the rapid urbanisation of the rural population in PRC, China's overall market capacity of cabinetry products has exceeded RMB 80 billion in 2016 and is estimated to reach RMB 100 billion in 2017. From 2013 to 2017, the annual growth rate of the said overall market capacity is above 20%. The proportion rate of households with cabinetry products in China has increased significantly from 6.8% in 2005 to 31.7% in 2015. However, it is still below the average rate of 65% in developed countries such as Europe and America¹.

Revenue of the furniture worldwide is expected to grow by 15.9% and 14.5% in 2018 and 2019 respectively. The average revenue per user is expected to increase from USD 242.46 in 2017 to USD 279.91 in 2019². In addition, with a global market volume of USD 68,880 million in 2018, most revenue is expected to be generated from the PRC².

A healthy demand in PRC is expected with the increased user penetration from rural urbanisation, catalysed by the prevalence of digital commerce. Accordingly, the Group is optimistic about the demand of furniture related products, in particular in the PRC. The Proposed Diversification would allow the Group to participate in the growth prospects of the furniture industry.

3. SHAREHOLDERS' APPROVAL

The Proposed Diversification will involve a new business which is substantially different from the Existing Business. It is envisaged to change the existing risk profile of the Group.

Pursuant to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst ("**Catalist Rules**"), Shareholders' approval is required for the Proposed Diversification. Accordingly, an extraordinary general meeting will be convened by the Company to seek approval from the shareholders of the Company ("**Shareholders**") for the Proposed Diversification.

A circular containing further information of the Proposed Diversification will be despatched to Shareholders in due course.

¹ <http://www.chyxx.com/industry/201709/564348.html>

² <https://www.statista.com/outlook/255/100/furniture-homeware/worldwide#market-arpu>

4. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors of the Company and their respective associates has any interest, direct or indirect, in the Proposed Diversification (other than by reason only of being a Director and through their respective shareholdings in the Company).

In addition, as far as the Directors are aware, none of the Company's controlling shareholders have any interest, direct or indirect, in the Proposed Diversification (other than by reason of their shareholding interests in the Company).

5. CAUTIONARY STATEMENT

Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that the Proposed Diversification will be completed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the action they should take.

By the Order of the Board

Cai Kaoqun
Executive Chairman and Chief Executive Officer
25 June 2018

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**") for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.

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

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