



## CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

(Company Registration Number: 200712727W)

(Incorporated in the Republic of Singapore on 13 July 2007)

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### DISPOSAL OF SUBSIDIARIES IN PEOPLE'S REPUBLIC OF CHINA

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#### 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 14 September 2018 entered into a sale and purchase agreement (the “**Agreement**”) with an independent third party purchaser, 北京渤海兴业投资有限公司 (Beijing Bo Hai Xing Ye Investment Company Limited) (the “**Purchaser**”) to dispose its entire 57% interest in the subsidiary, 北京白菊汽车零部件有限公司 (Beijing Baiju Automobile Component Company Limited) (“**BBJ**”) (the “**Sale Shares**”) for a consideration of RMB2,037,500 (the “**Disposal**”).

For the purpose of this announcement (unless otherwise indicated), the average exchange rates of RMB1.00: HK\$1.2303 and S\$1.00: HK\$5.8822 for the financial period from 1 April 2018 to 30 June 2018 and the closing exchange rates of RMB1.00: HK\$1.1853 and S\$1.00: HK\$5.7568 as at 30 June 2018 have been used.

#### 2. INFORMATION ON BBJ AND BBJs

BBJ was incorporated in the People's Republic of China (“**PRC**”), on 15 April 2010 with a registered and paid-up share capital of RMB 50,000,000. The Company and a PRC state-owned enterprise, 北京白菊电器有限公司, owns 57% and 43% of BBJ's shareholding interest respectively. BBJ is principally engaged in the manufacture, assembly and maintenance of automobile component parts (“**ACP**”).

北京白菊汽车部件销售有限公司 (Beijing Baiju Automobile Component Sales Company Limited) (“**BBJS**”) was incorporated in the PRC on 9 September 2015 with a registered share capital of RMB1,000,000. BBJS is wholly owned by BBJ and accordingly, the Group has an effective interest of 57% in BBJS. No paid-up share capital was recorded in the books of BBJS which has been dormant since its date of incorporation.

Collectively, the net asset value (“**NAV**”) of BBJ and BBJS as at 31 July 2018 was approximately HK\$61,686,000 that comprised mainly trade and other receivables and cash and bank balances, including an intra-Group interest-free loan granted to the Group of approximately HK\$32,815,000 (the “**Loan**”). The NAV represented by the Sale Shares as at 31 July 2018 was HK\$35,161,000.

For the computation of the NAV as at 31 July 2018, the closing exchange rates of RMB1.00: HK\$1.1514 and S\$1.00: HK\$5.7678 have been used.

### 3. KEY TERMS OF THE DISPOSAL

#### (a) Consideration

The consideration for the Disposal is RMB2,037,500 (equivalent to approximately S\$406,735) (the “**Consideration**”).

The Consideration has been arrived on a willing buyer and willing seller basis between the Company and the Purchaser after taking into consideration the Group’s proportionate equity interest in the NAV of both BBJ and BBJs as at 31 July 2018 being HK\$35,161,000 (equivalent to approximately RMB30,537,606 or S\$6,096,000), upon netting off the intra-Group receivables recorded in the books of BBJ and BBJs arising from the Loan as at 31 July 2018 being HK\$32,815,000 (equivalent to approximately RMB28,500,087 or S\$5,689,000).

For the computation of the Consideration, the closing exchange rates of RMB1.00: HK\$1.1514 and S\$1.00: HK\$5.7678 have been used.

#### (b) Payment of the Consideration and material conditions

The Consideration will be entirely satisfied by the Purchaser in cash before the completion of the legal transfer of the Sale Shares (the “**Completion**”).

It is a condition of the Disposal that the Purchaser will assume all rights and obligations of the Sale Shares upon the Completion.

#### (c) The intended use of the sale proceeds

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

#### (d) No gain or loss on the Disposal attributable to the Sale Shares

There will be no significant gain or loss on the Disposal at the Group level.

Notwithstanding that, It is expected that the realized foreign currency translation gain from the Disposal (“**Translation Gain**”) is greater than the corporate income tax expense arising from the gain on disposal at entity level (“**Corporate Tax Expense**”) which would have a net positive impact to the Group’s earnings/ loss per share, but a negative impact to the Group’s net tangible assets (“**NTA**”) as only Corporate Tax but not the Translation Gain would impact the Group’s NTA for the financial period ending 30 September 2018.

### 4. RATIONALE FOR THE DISPOSAL

The Board is of the view that it is in the interest of the Group to undertake the Disposal for the following reasons:

#### (a) BBJ and BBJs no longer has any significant business activity following the closure of its automobile component production facility in Beijing

As announced by the Company on 14 August 2017, the Group commenced undertaking the closure of the automobile component production facility in Beijing (“**Production Closure**”) due to the changes to government policies and has ceased production after the fulfilment of outstanding orders to its customers in November 2017. BBJ has been dormant since the completion of the Production Closure and continues to incur administrative costs.

As BBJ and BBJs have been dormant, the Disposal will not result in a material change to the nature of the Group's business, particularly because these entities have not been utilised for business activities after the completion of the Production Closure.

As such, the retention of BBJ and BBJs does not fit into the overall strategic framework of the Group.

(b) BBJ and BBJs are loss-making

BBJ and BBJs are loss-making entities of the Group which consist of assets and liabilities that are monetary in nature. The Disposal will minimise losses to the Group and will not impede or hamper core or fundamental activities currently being conducted by the Group.

It should be noted that BBJ and BBJs will not likely to be profitable in the foreseeable future, in view of prevailing government regulatory and environmental measures.

## 5. THE DISPOSAL AS A DISCLOSEABLE TRANSACTION

The relative figures in respect of the Disposal, as computed on the bases set out in Rule 1006 of Section B: Rules of Catalyst of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**Catalist Rules**"), are as follows:

Rule 1006		Relevant financials of		Size of relative figures [A/B]
		Sale Shares [A] (HK\$'000)	Group [B] (HK\$'000)	
(a)	NAV of the asset to be disposed of as at 30 June 2018 as compared with the Group's consolidated NAV as at 30 June 2018	36,232	90,658	40.0%
(b)	Net loss attributable to the asset disposed of for the first quarter ended 30 June 2018 (" <b>1Q2019</b> ") as compared with the Group's consolidated net loss for 1Q2019	223	489	45.6%
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalization based on the total number of issued shares excluding treasury shares	2,346	37,374 <sup>1</sup>	6.3%
(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	-	-	N/A <sup>2</sup>
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	-	-	N/A <sup>3</sup>

This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets

**Notes:-**

1. Calculated based on the Consideration of HK\$2.345 million and the Company's market capitalisation of S\$6.557 million (approximately HK\$37.374 million) as of 13 September 2018, being the market day preceding the date of the Agreement.
2. The basis prescribed under this rule is not applicable to the Disposal as no equity securities will be issued by the Company in connection with the Disposal.
3. The basis prescribed under this rule is not applicable to the Disposal as it is not disposal of mineral, oil or gas assets by a mineral, oil and gas company.

Based on the above computation, the Disposal would be classified as a "Disclosable Transaction" under Chapter 10 of the Catalist Rules, where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 5% but less than 50%.

**6. FINANCIAL EFFECTS**

The financial effects of the Disposal on the Group set out below are purely for illustrative purposes only and are not intended to reflect the actual future financial situation of the Company or the Group after completion of the Disposal.

(a) Share Capital

The Disposal would not impact the issued share capital and the number of Shares of the Company.

(b) Net Tangible Assets

Assuming that the Disposal had been completed at the end of the most recently completed financial year i.e. 31 March 2018, the effect on the NTA per Share of the Group would be as follows:

<b>As at 31 March 2018</b>	<b>Before the Disposal</b>	<b>After the Disposal</b>
NTA - HK\$'000 / S\$'000	69,664 / 11,636	68,093 / 11,374
Number of issued shares of the Company	409,800,000	409,800,000
NTA per Share - Hong Kong cents / Singapore cents	17.00 / 2.84	16.62 / 2.78

The decrease in NTA per share was due to the Corporate Tax Expense incurred as explained in paragraph 3(d) above.

The closing exchange rates of RMB1.00: HK\$1.2477 and S\$1.00: HK\$5.9867 as at 31 March 2018 have been used for the above computation.

(c) Earning / Loss per share

Assuming that the Disposal had taken place at the beginning of the most recently completed financial year i.e. 1 April 2017, the effect on the Group's earnings / loss per Share would be as follows:

For the financial year ended 31 March 2018 ("FY2018")		Before the Disposal	After the Disposal
		(HK\$'000 / S\$'000)	(HK\$'000 / S\$'000)
Consolidated profit/ (loss)	net	18,710 / 3,248	(1,424) / (247)
Consolidated profit/(loss) attributable to owners of the Company	net	10,111 / 1,755	(1,424) / (247)
Weighted average share capital		409,800,000	409,800,000
Earning/(loss) per share		2.47 / 0.43	(0.35) / (0.06)

- Hong Kong cents/  
Singapore cents

The decrease in the earnings per share was mainly due to net profits attributed from BBJ and BBS for FY2018, after netting the Translation Gain. Net profit of HK\$20.2 million from BBJ and BBS for FY2018 was mainly due to management's efforts to minimize the adverse impact from the Production Closure as well as a significant increase in one-off profit from the non-recurring revenue in FY2018. As stated in para 4, BBJ and BBS currently do not have any significant business activity and are not likely to be profitable in the foreseeable future.

Since November 2017, BBJ and BBS have been dormant and have not been profit generating.

If the disposal had taken place as at 1 April 2017, a loss on disposal would be recorded at entity level due to consideration which was determined based on the NAV as at 1 April 2017 would be lower than the original investment costs recorded at entity level. Hence, no Corporate Tax Expense would be incurred.

The average exchange rates of RMB1.00: HK\$1.1796 and S\$1.00: HK\$5.7601 for the financial year ended 31 March 2018 have been used for the above computation.

(d) Gearing

The Disposal would be no impact to the Group's gearing as the Group does not have any loans or borrowings.

## 7. DIRECTORS' INTEREST IN THE DISPOSAL

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

## 8. 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 Disposal, Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in the announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/ or reproduced in the announcement in its proper form and context.

## 9. SERVICE AGREEMENT

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

## 10. DOCUMENT FOR INSPECTION

Shareholders should note that a copy of the Agreement shall be available for inspection during normal business hours at the Company's registered office at SGX Centre 2, #17-01, 4 Shenton Way, Singapore 068807 for three (3) months from the date hereof.

## BY ORDER OF THE BOARD

Cai Kaoqun  
Executive Chairman  
14 September 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.*

*The contact person for the Sponsor is Mr Joseph Au, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).*