



CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

(Company Registration Number: 200712727W)

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

DISPOSAL OF 100% EQUITY HOLDINGS IN SHENZHEN SHI ER JU QUAN WU DING ZHI COMPANY LIMITED (深圳适而居全屋定制有限公司), A SUBSIDIARY IN PEOPLE'S REPUBLIC OF CHINA

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 March 2022 entered into a sale and purchase agreement (the “**Agreement**”) with an independent third party purchaser, 深圳市唐家厨房设备有限公司 (Shenzhen City Tangjia Kitchen Appliances Company Limited) (the “**Purchaser**”) to dispose its entire 100% interest in the subsidiary, 深圳适而居全屋定制有限公司 (Shenzhen Shi Er Ju Quan Wu Ding Zhi Company Limited) (“**SEJ**”) (the “**Sale Shares**”) for a net consideration of RMB2,000,000 (the “**Disposal**”).

For the purpose of this announcement (unless otherwise indicated), the average exchange rates of RMB1.00: HK\$1.2024 and S\$1.00: HK\$5.7896 for the financial period from 1 April 2021 to 30 September 2021 and the closing exchange rates of RMB1.00: HK\$1.2034 and S\$1.00: HK\$5.7208 as at 30 September 2021 have been used.

2. INFORMATION ON SEJ

SEJ, a wholly-owned subsidiary of the Company, was incorporated in the People's Republic of China (“**PRC**”), on 20 August 2018 with a registered and paid-up share capital of RMB 6,000,000. SEJ is principally engaged in the production and supply of furniture and fittings (“**Furniture Business**”).

The net liabilities value (“**NLV**”) of SEJ as at 28 February 2022 was approximately HK\$2,804,000 (equivalent to approximately RMB2,265,000 or S\$487,000), which includes an intra-Group interest-free loan of approximately HK\$6,421,000 (equivalent to approximately RMB5,186,000 or S\$1,115,000) granted to SEJ by the Group (the “**Loan**”). For illustrative purposes, should the Loan be excluded, the net asset value (“**NAV**”) represented by the Sale Shares as at 28 February 2022 was HK\$3,617,000 (equivalent to approximately RMB2,921,000 or S\$628,000) (the “**Nett NAV**”).

For the above computation as at 28 February 2022, the closing exchange rates of RMB1.00: HK\$1.2382 and S\$1.00: HK\$5.76 as at 28 February 2022 have been used.

3. RATIONALE FOR THE DISPOSAL

The Board is of the view that it is in the interest of the Group to undertake the Disposal in view of the weak financial performance of SEJ. Our Furniture Business had been reporting losses in the last 3 financial years due to revenue contributed from the Furniture Business were lower than our expectation resulting in a depletion of reserves and cash resources of the Group. In 2021, China's property market has weakened as a result of measures imposed by the Chinese government such as tight credit policies and a looming property tax dampen demand to curb booming property prices. It resulted China's property market suffered headwinds with home prices, sales, investment and construction all falling,

weighed by weak demand and a cash crunch among developers. China's property downturn is expected to continue into 2022. As such, it will be difficult for us to secure potential sales orders from the housing developing projects. The percentage of revenue contributed from the Furniture Business as compared to the Group's total revenue were approximately 9.6% for the financial year ended 31 March 2021 ("FY2021") and 19.2% for the half-year ended 30 September 2021 ("1H2022") respectively while the net loss of furniture business were by HK\$3,023,000 (equivalent to approximately RMB2,638,000 or S\$532,000) in FY2021 and HK\$1,702,000 (equivalent to approximately RMB1,416,000 or S\$294,000) in 1H2022. In view of the percentage of revenue contribution from SEJ, the Disposal will not have a significant impact to the Group's operations and revenues.

Despite the negative impact to the Group's EPS and NTA, the Company believes that prospects of the Furniture Business are not favorable and will likely not be profitable in the foreseeable future. The Disposal will allow the Group to restructure its existing business mix to achieve a better business mix and a stronger financial performance. The Disposal will minimize losses to the Group and will not impede or hamper core or fundamental activities currently being conducted by the Group. As such, the Company believes that the Disposal is in the best interest of the Group.

After the Disposal is completed, the Group will continue to assess the market demand of furniture and fittings and supply the furniture and fittings when the business opportunity arises.

For the above computation, the average exchange rates of RMB1.00: HK\$1.1456 and S\$1.00: HK\$5.6784 for FY2021 and RMB1.00: HK\$1.2024 and S\$1.00: HK\$5.7896 for 1H2022 have been used.

4. KEY TERMS OF THE DISPOSAL

(a) Consideration

The net consideration for the Disposal is RMB2,000,000 (equivalent to approximately HK\$2,476,000 or S\$430,000) (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 NLV of SEJ, adding the amount to repay the Loan and less the net carrying amount of renovation costs as at 28 February 2022 being HK\$1,174,000 (equivalent to approximately RMB948,000 or S\$204,000), being HK\$2,443,000 (equivalent to approximately RMB1,973,000 or S\$424,000).

For the computation of the Consideration, the closing exchange rates of RMB1.00: HK\$1.2382 and S\$1.00: HK\$5.7600 as at 28 February 2022 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.

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

(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) Loss on the Disposal attributable to the Sale Shares

There will be a loss on disposal of SEJ at the Group level of HK\$1,141,000 (equivalent to approximately RMB921,000 or S\$198,000), and the realized foreign currency translation loss from the Disposal (“**Translation Loss**”), being HK\$152,000 (equivalent to approximately RMB123,000 or S\$26,000).

The loss on disposal is due to the net carrying amount of renovation costs which would not be included in the Consideration as the Buyer will shift to other locations after the acquisition of SEJ. The Disposal would have a net negative impact to the Group’s earnings/loss per share (“**EPS**”) and the net tangible assets (“**NTA**”) for the current financial year ending 31 March 2022.

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 Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**Catalist Rules**”), are as follows:

Rule 1006		Relevant financials of Sale Shares		Size of relative figures [A/B]
		[A] (HK\$'000)	[B] (HK\$'000)	
(a)	NAV of the asset to be disposed of as at 28 February 2022 as compared with the Group’s consolidated NAV as at 30 September 2021	3,617	35,604	10.2%
(b)	Net loss attributable to the asset disposed of for 1H2022 as compared with the Group’s consolidated net loss for 1H2022	2,001	7,487	26.7%
(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	2,470	37,695 ¹	6.6%
(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 ²
(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 ³

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 RMB 2 million (approximately HK\$2.470 million or S\$430,000) and the Company’s market capitalisation of S\$6.557 million (approximately HK\$37.695 million or RMB30.520 million) as of 11 March 2022, 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 2021, the effect on the NTA per Share of the Group would be as follows:

	As at 31 March 2021		Before the Disposal		After the Disposal	
		HK\$'000	S\$'000	HK\$'000	S\$'000	
NTA		42,422	7339	40,581		7020
Number of issued shares of the Company ('000)		409,800	409,800	409,800		409,800
NTA per Share (cents)		10.35	1.79	9.90		1.71

If the Disposal had taken place as at 31 March 2021, a loss on disposal and Translation Loss would be HK\$1,893,000 (equivalent to approximately RMB1,596,000 or S\$327,000) and HK\$57,000 (equivalent to approximately RMB48,000 or S\$10,000) respectively. Hence, NTA per share would decrease from 10.35 Hong Kong cents to 9.90 Hong Kong cents.

The closing exchange rates of RMB1.00: HK\$1.1860 and S\$1.00: HK\$5.7806 as at 31 March 2021 have been used for the above computation.

(c) Loss per share (“LPS”)

Assuming that the Disposal had taken place at the beginning of the most recently completed financial year i.e. 1 April 2020, the effect on the Group's loss per Share would be as follows:

	FY2021	Before the Disposal		After the Disposal	
		HK\$'000	S\$'000	HK\$'000	S\$'000
Consolidated net loss		9,649	1,699	9,788	1,724
Consolidated net loss attributable to		9,649	1,699	9,788	1,724

owners of the Company				
Weighted average share capital ('000)	409,800	409,800	409,800	409,800
LPS (cents)	2.35	0.41	2.39	0.42

If the Disposal had taken place as at 1 April 2020, a loss on the Disposal and Translation Loss would be HK\$3,030,000 (equivalent to approximately RMB2,645,000 or S\$534,000) and HK\$132,000 (equivalent to approximately RMB115,000 or S\$23,000) respectively. Hence, LPS would increase from 2.35 Hong Kong cents to 2.39 Hong Kong cents.

The average exchange rates of RMB1.00: HK\$1.1456 and S\$1.00: HK\$5.6784 for the FY2021 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 March 2022

This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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