



China Kunda Technology Holdings Limited

China Kunda Technology Holdings Limited

10 Anson Road, #26-04 International Plaza, Singapore 079903
Tel: (65) 3152 6765 Email: ir@chinakunda.com

cre8
Tel: (65) 63278398



10[&] BEYOND

SUSTAINABILITY REPORT 2018

CONTENTS

About the Report	01
Reporting Scope	01
Contact Us	01
Board Statement	02
Corporate Profile	03
Overview of China Kunda	03
Supply Chain	04
Geographical Location	05
Our People	06
Key Highlights in FY2018	07
Sustainability Strategy and Approach	08
Sustainability Governance	08
Stakeholder Engagement	09
Materiality Assessment	10
Governance	11
Regulatory Compliance	11
Economic	13
Innovation and R&D	13
Environment	15
Material Use	15
Social	17
Training and Advancement	17
GRI Content Index	19

This sustainability report 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 sustainability report.

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

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).

ABOUT THE REPORT

This is the inaugural sustainability report published by China Kunda Technology Holdings Limited ("China Kunda"). Our report is prepared in accordance with Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist ("Catalist Rules"), listing rule 711(B) and Global Reporting Initiatives ("GRI") Standards – 'Core', an internationally recognized reporting framework. In relation to the objectives of SGX-ST, we strive to adopt a progressive approach towards sustainability.

Reporting Scope

The report covers non-financial performance and initiatives of our manufacturing and headquarter operations in China for the financial year ended 31 March 2018 ("FY2018"). The current year performance is compared with previous year, where possible. No external assurance is currently provided. The management will consider seeking external verification of our future sustainability reports as our reporting process matures.

Contact Us

Any queries about this report can be addressed to investor relations at ir@chinakunda.com.


BOARD STATEMENT

China Kunda positions ourselves at the heart of sustainability as we believe that having sustainable growth acts as the groundwork for creating long-term value in our business.

The Board of Directors (the “Board”) conducts a regular review, assessment and feedback process on critical Environmental, Social and Governance (ESG) topics which were previously identified through a materiality assessment by senior management and core staff, and verified by independent sustainability consultants. This process of identification, assessment, monitoring and documentation of material risks and corresponding internal controls ensures that these key sustainability matters (as listed on page 13) are incorporated into the Group’s long-term strategic formulation, allowing the Board to focus on developing policies and setting feasible targets and action plans, in order to be accountable to our stakeholders. Additionally, the Audit Committee visits the domestic operations each year to formally review and approve and verify the Company’s sustainability reporting, acting as a form of internal assurance.

The objective is to strike the right balance between financial, social and environmental developments and to safeguard our stakeholders’ interests. We achieve that by upholding good governance, ensuring compliance with relevant laws and regulations, creating a conducive working environment for our employees and striving for competitive edge via innovation and R&D.

Going forward, as China Kunda grows our businesses, we will continue to conduct our business and interact with stakeholders in a transparent and sustainable manner.



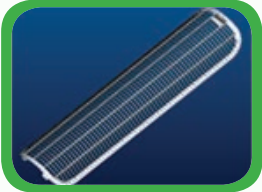


CORPORATE PROFILE

Overview of China Kunda

China Kunda is a plastic engineering solution provider in the electronic and automobile industry. Our operations of producing highly complex plastics components is as illustrated in Figure 1 below.

Incorporated in 2007, we are a limited liability company listed on the Singapore Exchange with our headquarters and manufacturing facilities stationed in Shenzhen, China. Since 1980, our company has served consumers in United States of America, China, Europe, Germany, Ireland and the United Kingdom.

Figure 1: China Kunda's Operating Segments

In-Mould Decoration (IMD) and Plastic injection parts	Automobile Component parts
<div data-bbox="161 1160 424 1350">  <p>Plastic injection part</p> </div> <div data-bbox="448 1160 711 1350">  <p>In-mould decoration product</p> </div> <p>We develop specialised plastic injection parts and technical services used in the manufacturing of electrical appliances and electronic devices such as:</p> <ul style="list-style-type: none"> • Home appliances (Eg. Smart Vacuum Cleaner) • Con Medical devices • E-cigarettes • Mobile Phones 	<div data-bbox="826 1142 1262 1350">  <p>Automobile component parts</p> </div> <p>We produce plastic and metal component parts used in the manufacturing of car accessories</p>

CORPORATE PROFILE



VISION

Aims to achieve mutually beneficial scenarios for all stakeholders



MISSION

Dedicated to produce competitive products



VALUES

Fast pace, high precision, premium services and production of valuable products

Supply Chain

At China Kunda, we recognise the importance of sustainable procurement in our business's profitability. In the reporting year, we have acquired all supplies and services from vendors in China; including plastic materials, sheets and paints, and post-processing procedures outsourcing. Most of our suppliers are labour intensive and short production cycle manufacturers.

Figure 2: Table on number of suppliers engaged and total amount spent for the financial year ended 31 March 2018 ("FY2018")

Country	Number of key suppliers ¹ engaged in FY2018	Amount spent on top 10 suppliers in FY2018
China	33	HK\$14,848,000

¹ Key suppliers refer to those who offer goods and services valued more than RMB 100,000 per annum from continuing operations.

CORPORATE PROFILE

Geographical Location

China Kunda currently has one manufacturing site in Shenzhen, China, which is the area for this year's scope of reporting. In FY2018, our Group decided to cease the production of automobile components at our Beijing manufacturing facility. This is mainly due to strict air pollution control measures implemented by the Beijing Municipal Government, and the relocation of our key customer, Beijing Hyundai, to Cangzhou and Chongqing.

Figure 3: China Kunda's manufacturing site



Reporting Scope

SHENZHEN

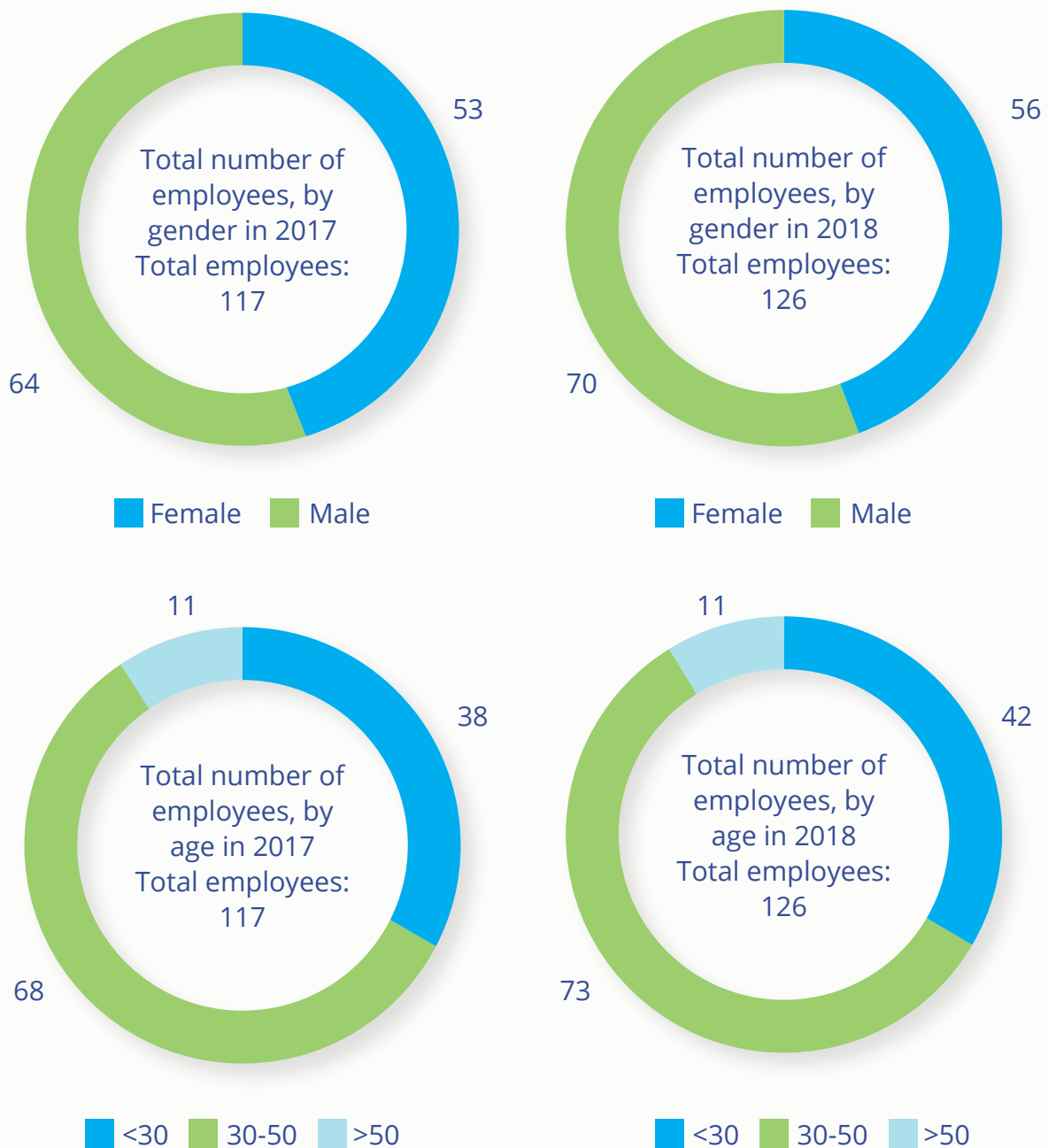
- Operations headquarter
- In-Mould Decoration and plastic injection component manufacturing facility

CORPORATE PROFILE

Our People

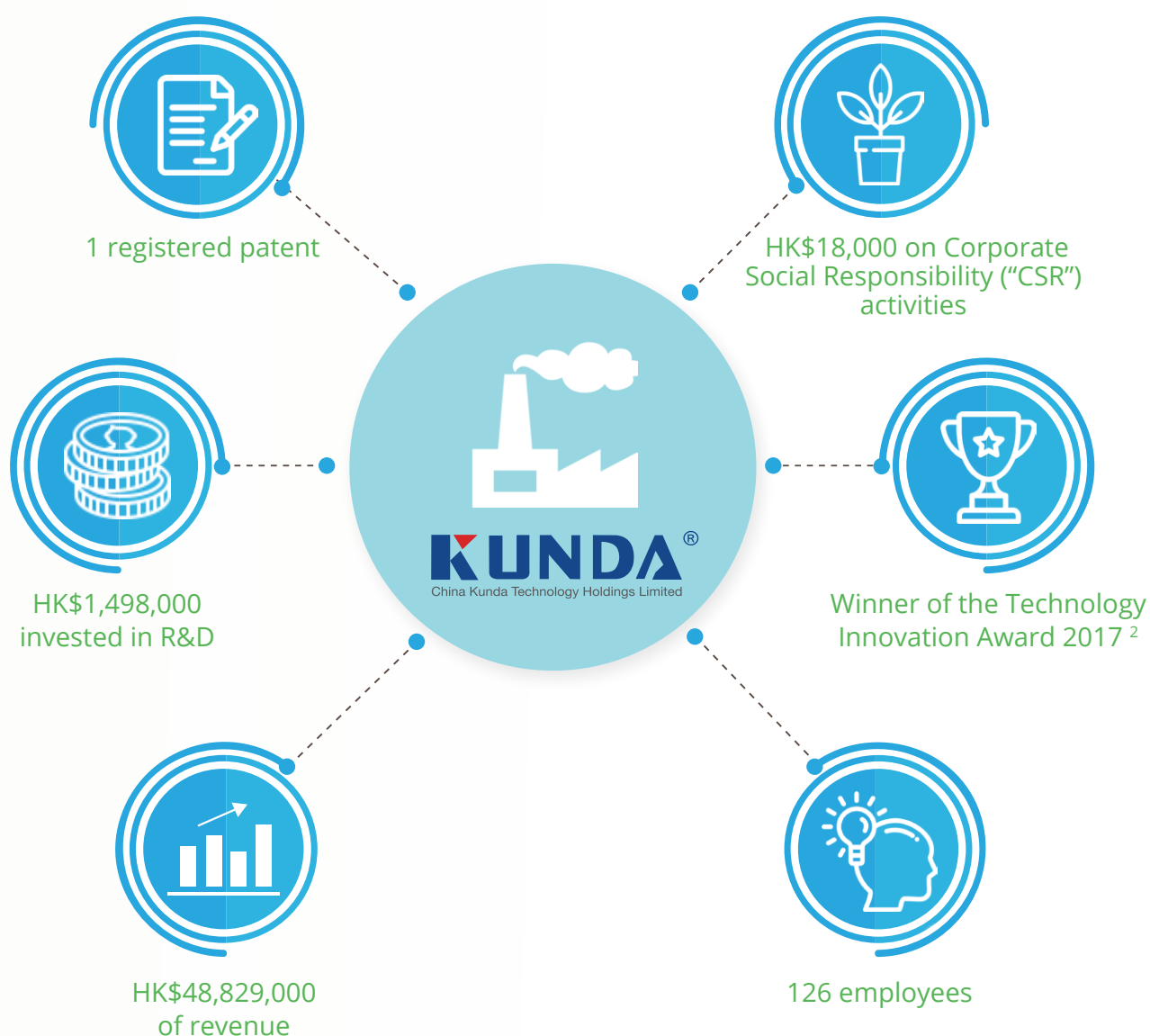
All activities in our Shenzhen operation are carried out by permanent contracted full-time employees. In the year 2018, our workforce increased from 117 to 126. The breakdown of the workforce is as shown in Figure 4.

Figure 4: Total number of employees by gender and age in Shenzhen



CORPORATE PROFILE

Key Highlights of FY2018



² The Technology Innovation Award was awarded by our prestigious client, Shenzhen Smoore Technology Limited in recognition of our technology contribution.

SUSTAINABILITY STRATEGY AND APPROACH

Our Group adheres to the highest standards of corporate governance, constructing a strong foundation for delivering sustainable value to all stakeholders. Under our Enterprise Risk management (“ERM”) Framework, the Board, with the support from audit committee, oversees the system of risks management and internal controls. They are supported by the Senior Management which governs the process of risk assessment, risk management and risk monitoring, with assistance from the external advisors. The Senior Management also monitors the daily operations and internal management procedures of the Group. All concerns are then reported to the Board for a quarterly risk assessment review to make improvements on the current plans.

Sustainability Governance

To address sustainability risk, the management team headed by our Chief Executive Officer, monitors the sustainability performance and initiatives at various operating units. Under the management team, the Heads of Department are responsible for communicating sustainability policies to the respective division leaders, review and improve on the current sustainability measures. To ensure the effective implementation of Environmental, Social and Governance (ESG) initiatives in all operational units of China Kunda, sustainability matters are brought to the management team’s attention and subsequently escalated to the Board of Directors on regular basis.



SUSTAINABILITY STRATEGY AND APPROACH

Stakeholder Engagement

At China Kunda, we recognise the importance of fostering lasting relationships with all stakeholders to create a long-term value. Through active engagement, we are able to understand their concerns, allowing us to strengthen and formulate a better sustainability strategy. Details of our response to the concerns raised by the various stakeholders are illustrated in Figure 5 below.

Figure 5: China Kunda's Stakeholder Engagement

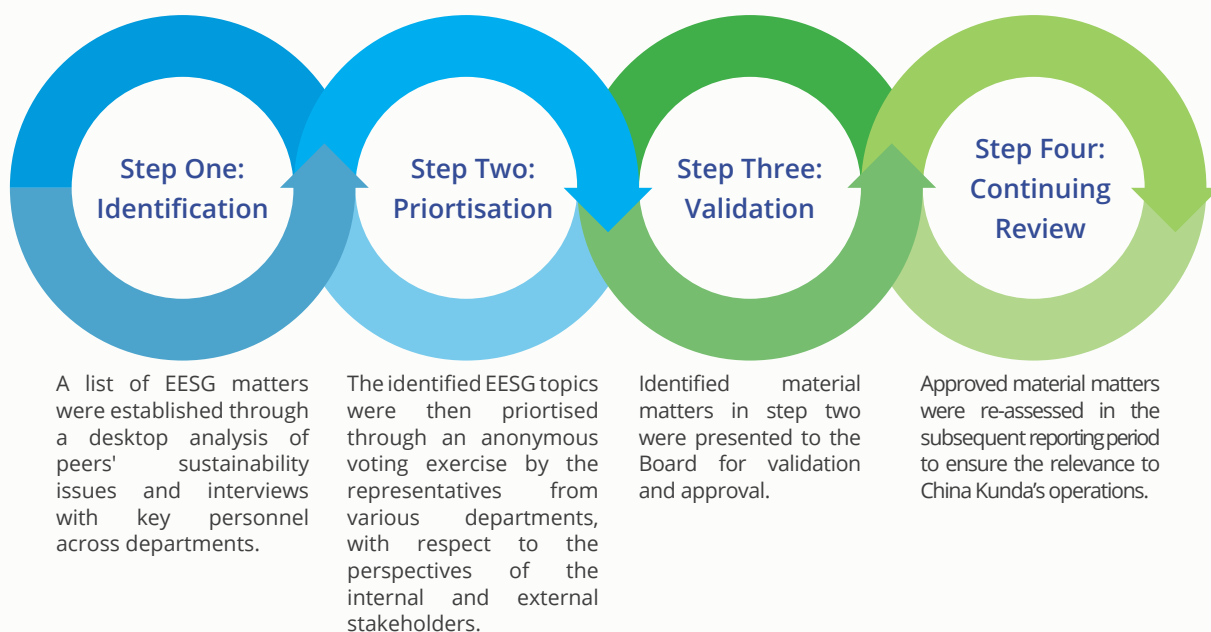
Stakeholder Groups	Key Concerns of Each Stakeholder Group	China Kunda's Approach	Modes of Engagement	Frequency of Engagement
Shareholders	<ul style="list-style-type: none"> Achieve viable returns and receive dividends To be updated on company's latest financial status and development plans 	<ul style="list-style-type: none"> Provide reports on financial data, financial analysis and development plans for shareholders 	Shareholders 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 company An employee food satisfaction survey was conducted for each department. All employees' concerns about the canteen food were addressed 	Face to face meetings	Once or twice a month
			Conference call	
			Mail communication	
			Electronic Communication	
			Employee welfare chat	
Suppliers	<ul style="list-style-type: none"> Feedback on the quality of materials and latest product trend 	<ul style="list-style-type: none"> Healthy communication with suppliers 	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"> Contribution to the local community Timely feedback to the company on impacts of the Group's operations 	<ul style="list-style-type: none"> Provide a safe and liveable environment for locals Transparent communication and disclosure 	Face to face meetings	Once a month
			Conference call	
			Mail communication	
			Electronic Communication	
Regulators	<ul style="list-style-type: none"> Comply with the latest laws and regulations 	<ul style="list-style-type: none"> Healthy communication with relevant authorities to keep abreast with the latest relevant regulations 	Face to face meetings	Once to thrice a month
			Conference call	
			Mail communication	
			Electronic Communication	

SUSTAINABILITY STRATEGY AND APPROACH

Materiality Assessment

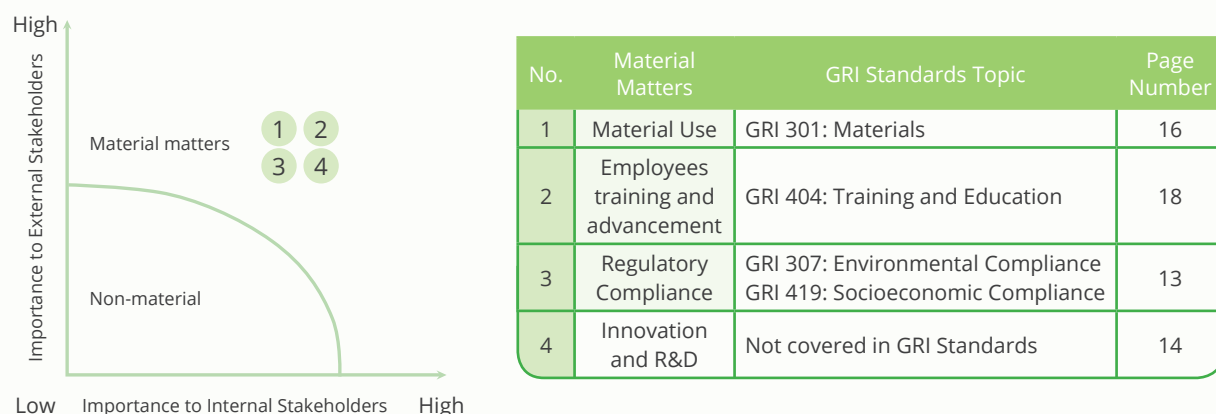
To determine the core material matters for our inaugural Sustainability Report, we sought the guidance from independent sustainability consultants to conduct our first materiality assessment. These material matters take into account the Economic, Environmental, Social and Governance (EESG) impacts to our business. The outline of our materiality assessment is summarized in Figure 6 below.

Figure 6: China Kunda's four steps of materiality assessment



The results of the materiality assessment include perspectives of both internal and external stakeholders and are presented in Figure 7. Through this process, four material matters were identified according to their importance to our business.

Figure 7: China Kunda's Materiality Assessment Results



GOVERNANCE

Regulatory Compliance

At China Kunda, we ensure conformity to highest of standards to safeguard the interests of our stakeholders. To achieve this, we promote the active roles of employees in ensuring compliance. All employees are required to sign a declaration form upon the commencement of their jobs to acknowledge their agreement to abide by the rules outlined in the Employee Handbook. These rules cover issues such as workplace conduct and compliance with relevant laws and regulations. Actions will be taken on those who neglect the stated rules. For first time offender, a notice will be issued and a self-reflection is required from the employee. Subsequently, repeat offenders will receive severe penalties or even dismissal from their job.

We treat the matter of non-compliance seriously and encourage our stakeholders to raise all material concerns through our reporting channel. The process of grievance handling is as shown in Figure 8.

Figure 8: China Kunda's Grievance Handling Process

Stakeholder	Reporting Channel	Grievance Handling Process
Employees	Face to face meetings, conference calls, email and WeChat with supervisor	<ul style="list-style-type: none">• All concerns undergo a stringent evaluation process• Investigations are conducted to validate the concerns• Necessary actions will be taken for verified concerns
	Feedback to supervisor	

In the previous reporting year, we had one case of environmental non-compliance in our silk-screen workshop. Following up with the feedback, we have since upgraded our manufacturing facilities and improved on the work process to ensure environmental compliance.

GOVERNANCE

Figure 9: Silk-Screen workshop after upgrading works



To ensure the effectiveness of our management systems, regular reviews are conducted by the audit committee. No significant findings were identified in our internal and external audits in FY2018. In addition, all of our sites are certified under Management System Standards of ISO 9001, ISO 16949 and ISO 14001. In the reporting year, China Kunda's operations are in compliance with all relevant laws and regulations.

Focus Area	Perpetual target	Current year performance	Action Plan for next year
Regulatory Compliance	Comply with applicable regulations and conform to industry standards	Non-compliance cases: Nil	Maintain current year's foundation

ECONOMIC

Innovation and R&D

With the increase in market demand and strong competition from the industry competitors, innovation and R&D is pertinent to sustain a competitive edge. At China Kunda, we drive towards the goal of being an independent innovator, deploying cutting-edge technology to optimize our manufacturing processes. We also conduct stringent testing on our existing products and garnered customer feedbacks for continuous improvement.

Our Innovation Incentive Policy³ was implemented to reward departments that initiate and develop innovative projects. All projects are approved by our Core team and Technical Director on an annual basis. Since implementation, the policy has resulted in various new product designs; such as phone battery covers and electronic cigarettes using UV transfer technology and colour plating technology. Approved projects are eligible for a ¥1,500 reward per project and patent projects are eligible for a ¥2,000 reward per project.

Figure 10: Total amount spent on research

	End of Financial Year 2017 (Prior Year)	End of Financial Year 2018 (Reporting Year)
Number of new research projects	86	92
Number of newly registered patents	1	1
Total amount spent on research (HK\$'000)	800	1,498

In FY2018, we have invested HK\$1,498,000 in 92 projects, yielding 1 newly registered patent, the same as the prior year.

In FY2018, we were honoured to receive the Technology Innovation Award from our prestigious client, Shenzhen Smoore Technology Limited in recognition of our technology contribution.

³ The policy has been reviewed recently in 2017.

ECONOMIC



Case study: Research on in-car accessories using high pressure modeling

Differing from the traditional method of manufacturing, the high-pressure modelling technology focused on optimising manufacturing process of making in-car accessories. We are able to achieve the purpose of lowering manufacturing cost and at the same time increasing product efficiency. This assisted us in responding to the challenges brought about by the rapidly changing business environment, ensuring sustainable development of our business.

Focus Area	Perpetual target	Current year performance	Action Plan for next year
Innovation and R&D	50-80 new projects yearly*	92 projects	Increase innovation incentives

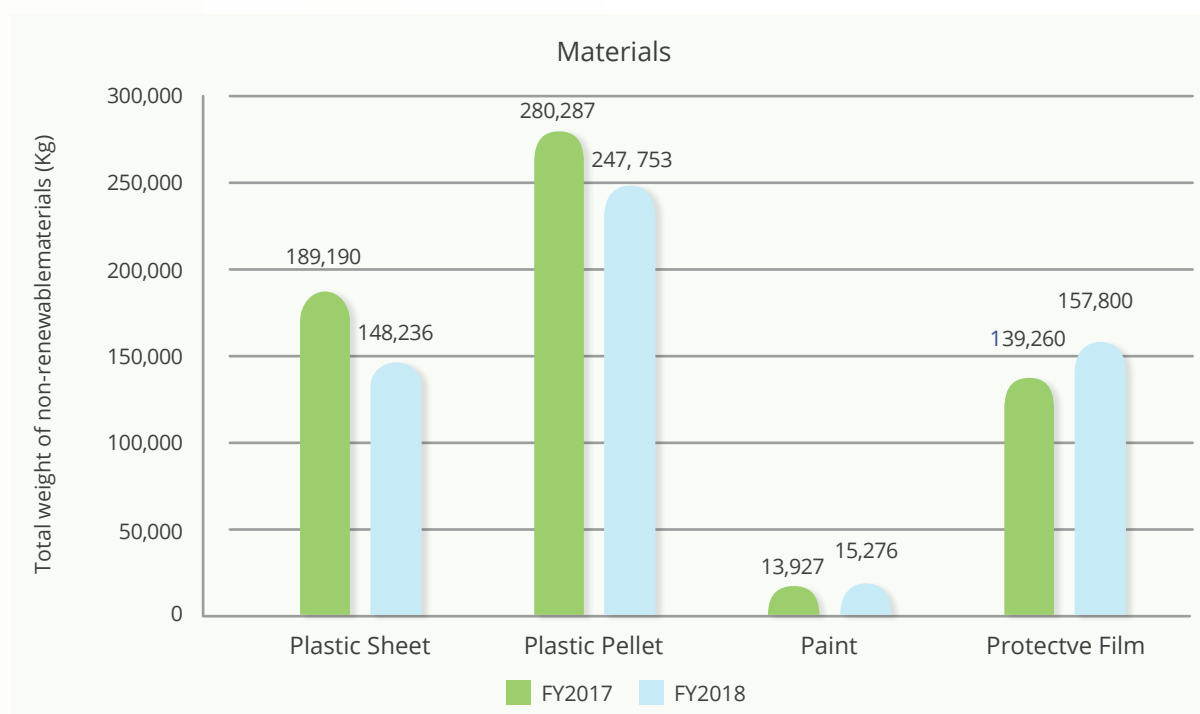
*As we expect business conditions to remain challenging, we do not expect that the new projects to pick up pace going forward. Hence, we keep the perpetual target of 50-80 new projects yearly, though the Group has out-performed the target set this year.

ENVIRONMENT

Material Use

Apart from developing new technologies, resource management is also crucial to the sustainability of our business. At China Kunda, we strive to reduce our ecological footprint in the environment by managing our resources wisely. In our efforts to do so, we make it a regular practice to keep track of our material consumption.

Figure 11: Total weight of key non-renewable materials used

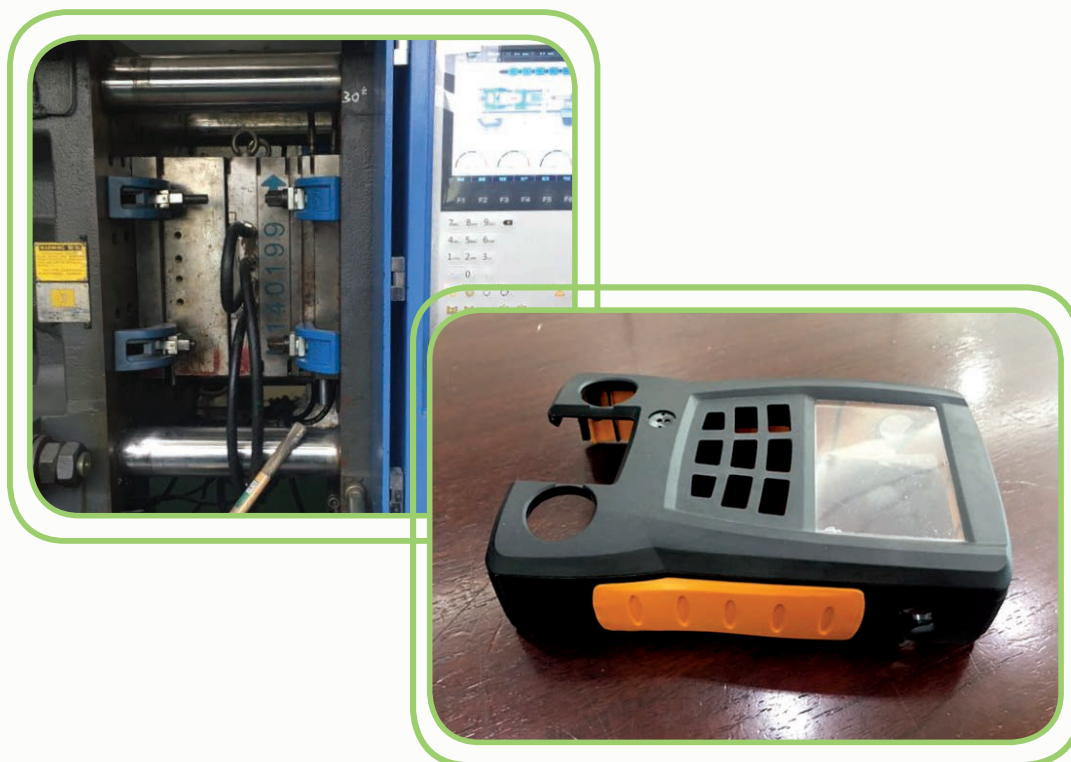


In 2018, the sum of non-renewable materials consumption decreased by 8.4% from 622,664 kg to 570,065 kg, due to the reduction in usage of our plastic sheet and pellet. On the other hand, there was a slight increase in usage of paint and protective film from 13,927kg to 15,276kg and 139,260kg to 157,800kg respectively. This is largely attributed to the change in our engineering process and our product portfolio.

At China Kunda, we have taken the initiative to reuse cardboard packing materials by increasing the total number of reclaimed cardboard from 2.2% to 3.8%. Our overall usage of the cardboard has also decreased from 19,348 pieces to 16,396 pieces.

By monitoring our materials used, we were able to improve our sustainability efforts and optimise our manufacturing processes. An incentive system is in place to award employees based on their performance in managing the company's resources. This is evaluated based on their ability to reduce overall material cost ratio.

ENVIRONMENT



Case study: Double-sided Injection Moulding Production Process

China Kunda has always sought new ways to optimise the production process and the double sided injection moulding production process is our latest invention.

The production process begins by employing a four-color printing to obtain a front film and Keshi -color printing to obtain a back film. A customised shape is acquired through the cutting and shaping of the two films which are then placed in an injection mould to be filled with transparent engineering material. A nozzle cut is then performed on the solidified mould. The resulting product will then be sent for examining and packaging thereafter.

We observed an increase in product yield rate by 20% and a decrease in product deformation by 50%, resulting in the overall reduction of material wastage.

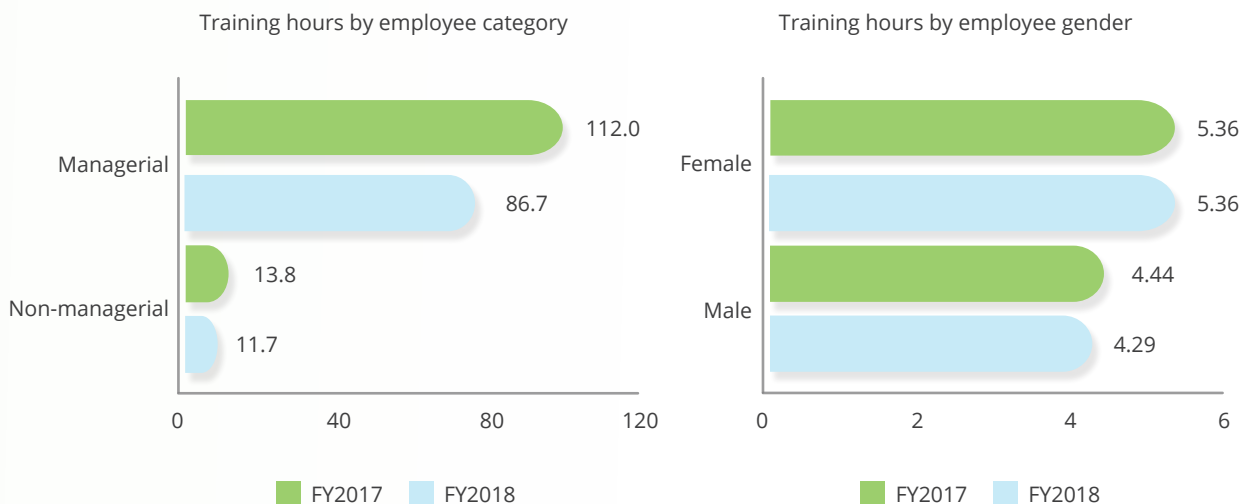
Focus Area	Short-Term Target	Current year performance	Action Plan for next year
Material use	Decrease raw material cost ratio to 41% by FY2019	43%	To optimize the production process and work towards the 41% target

SOCIAL

Training and Advancement

We believe a strong workforce plays a big role in our pursuit of building a sustainable business; hence at China Kunda, we focused on providing proper training for all employees. New hires are required to attend mandatory workshops conducted by the Human Resource Department to integrate them into our company culture seamlessly. These workshops also include details on production safety, mechanical operation and product quality requirements. Employee performance assessments are carried out regularly. Following the assessment, career planning sessions are planned to align employees' performance with the future plans of the company. China Kunda also provides subsidies to our employees who seek to upgrade their skills.

Figure 12: Employee training hours



In 2018, we saw a decrease in training hours for both managerial and non-managerial roles, clocking 86.7 hours and 11.7 hours each respectively. It was because there has been no significant movement in the workforce. The training provided previously are considered still relevant and re-training is not required. The training hours for managerial roles are also longer than those for non-managerial roles as more managerial skill courses have been arranged.

SOCIAL

Figure 13: China Kunda's employee training workshops



Focus Area	Short-Term Target	Current year performance	Action Plan for next year
Training and Advancement	100% of employees undergo a performance evaluation	100% performance evaluation	Maintain current year's performance

GRI CONTEXT INDEX

GRI Standard Disclosure	Description	Section of Report	Page Reference
GRI 102: General Disclosures			
Organizational Profile			
102-1	Name of the Organization	Corporate Profile - Overview of China Kunda	4
102-2	Activities, brands, products, and services	Corporate Profile - Overview of China Kunda	4
102-3	Location of headquarters	Corporate Profile - Overview of China Kunda	4
102-4	Location of operations	Corporate Profile - Overview of China Kunda	4
102-5	Ownership and legal form	Corporate Profile - Overview of China Kunda	4
102-6	Markets served	Corporate Profile - Overview of China Kunda	4
102-7	Scale of the organization	Corporate Profile - Overview of China Kunda	4
102-8	Information on employees and other workers	Corporate Profile – Our People	7
102-9	Supply chain	Corporate Profile – Supply Chain	5
102-10	Significant changes to the organization and its supply chain	Corporate Profile - Geographical boundary	6
102-11	Precautionary Principle or approach	Strategy and Approach – Sustainability Governance	9
102-12	External Initiaves	N/A	
102-13	Membership of associations	N/A	
Strategy			
102-14	Statement from senior decision-maker	Board Statement	3
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behavior	Corporate Profile – Overview of China Kunda	5
Governance			
102-18	Governance structure	Refer to annual report ‘Corporate Governance Report’	
Stakeholder Engagement			
102-40	List of stakeholder groups	Strategy and Approach – Stakeholder Engagement	10-11
102-41	Collective bargaining agreements	0%	
102-42	Identifying and selecting stakeholders	Strategy and Approach – Stakeholder Engagement	10-11
102-43	Approach to stakeholder engagement	Strategy and Approach – Stakeholder Engagement	10-11
102-44	Key topics and concerns raised	Strategy and Approach – Stakeholder Engagement	10-11

GRI

CONTEXT INDEX

Reporting Practice			
102-45	Entities included in the consolidated financial statements	Refer to annual report 'Investment in subsidiaries', Kunda Industrial Limited is not covered by the report as the company has rendered its services in the PRC through its employees stationed in Shenzhen. The rendering of technical services has ceased on 28 July 2009.	
102-46	Defining report content and topic Boundaries	About the Report – Reporting Scope	2
102-47	List of material topics	Strategy and Approach – Materiality Assessment	12
102-48	Restatements of information	N/A	
102-49	Changes in reporting	About the Report – Reporting Scope	2
102-50	Reporting period	About the Report – Reporting Scope	2
102-51	Date of most recent report	N/A	
102-52	Reporting cycle	About the Report – Reporting Scope	2
102-53	Contact point for questions regarding the report	About the Report – Contact Us	2
102-54	Claims of reporting in accordance with the GRI Standards	About the Report – Reporting Scope	2
102-55	GRI content index	GRI Content index	21-24
102-56	External assurance	About the Report – Reporting Scope	2
Topic-specific GRI Standard Disclosures			
Category: Environmental			
GRI 301: Materials			
103-1	Explanation of the material topic and its Boundary	Environmental – Material Use	17
103-2	The management approach and its components	Environmental – Material Use	17-18
103-3	Evaluation of the management approach	Environmental – Material Use	17
301-1	Materials used by weight or volume	Environmental – Material Use	17
302-2	Recycled input materials used	Environmental – Material Use	17
GRI 307: Environmental Compliance			
103-1	Explanation of the material topic and its Boundary	Governance – Regulatory Compliance	13
103-2	The management approach and its components	Governance – Regulatory Compliance	13-14
103-2=3	Evaluation of the management approach	Governance – Regulatory Compliance	13
307-1	Non-compliance with environmental laws and regulations	Governance – Regulatory Compliance	14

GRI CONTEXT INDEX

Category: Social			
GRI 404: Training and Education			
103-1	Explanation of the material topic and its Boundary	Social – Training and Advancement	19
103-2	The management approach and its components	Social – Training and Advancement	19-20
103-3	Evaluation of the management approach	Social – Training and Advancement	10
404-1	Average hours of training per year per employee	Average hours of training per year per employee	19
404-3	Percentage of employees receiving regular performance and career development programs	Social – Training and Advancement	20
GRI 419: Socioeconomics Compliance			
103-1	Explanation of the material topic and its Boundary	Governance – Regulatory Compliance	13
103-2	The management approach and its components	Governance – Regulatory Compliance	13-14
103-3	Evaluation of the management approach	Governance – Regulatory Compliance	13
419-1	Non-compliance with laws and regulations in the social and economic area	Governance – Regulatory Compliance	14
Non-GRI Disclosure Innovation and R&D			
103-1	Explanation of the material topic and its Boundary	Economic – Innovation and R&D	15
103-2	The management approach and its components	Economic – Innovation and R&D	15-16
103-3	Evaluation of the management approach	Economic – Innovation and R&D	15