KUNDA®

China Kunda Technology Holdings Limited

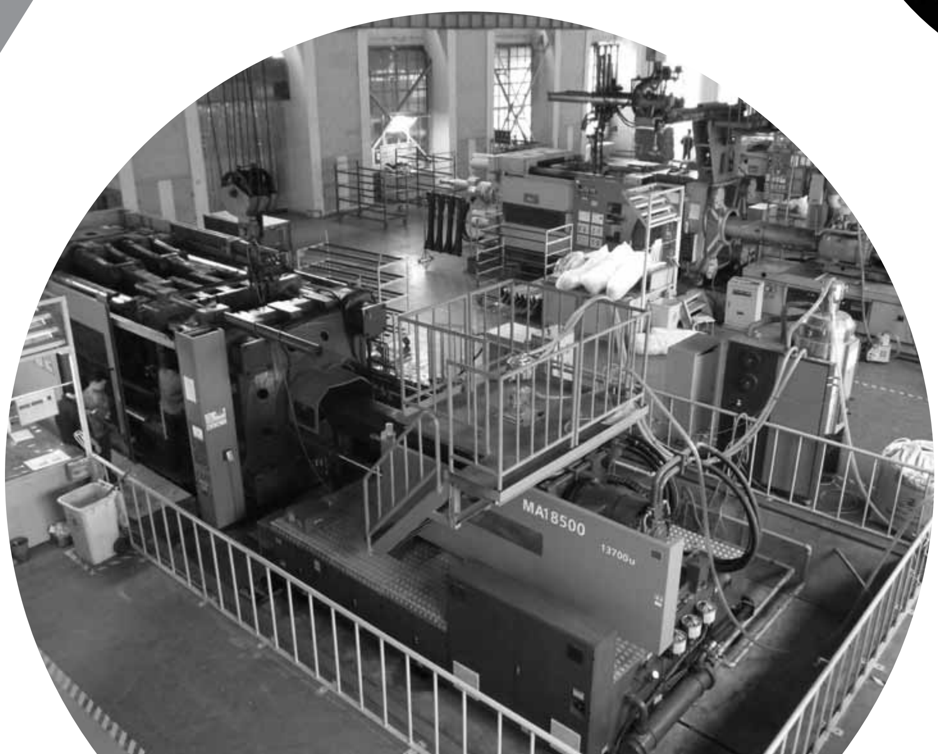
EXPLORING

# GREATER PROSPECTS

ANNUAL REPORT 2015

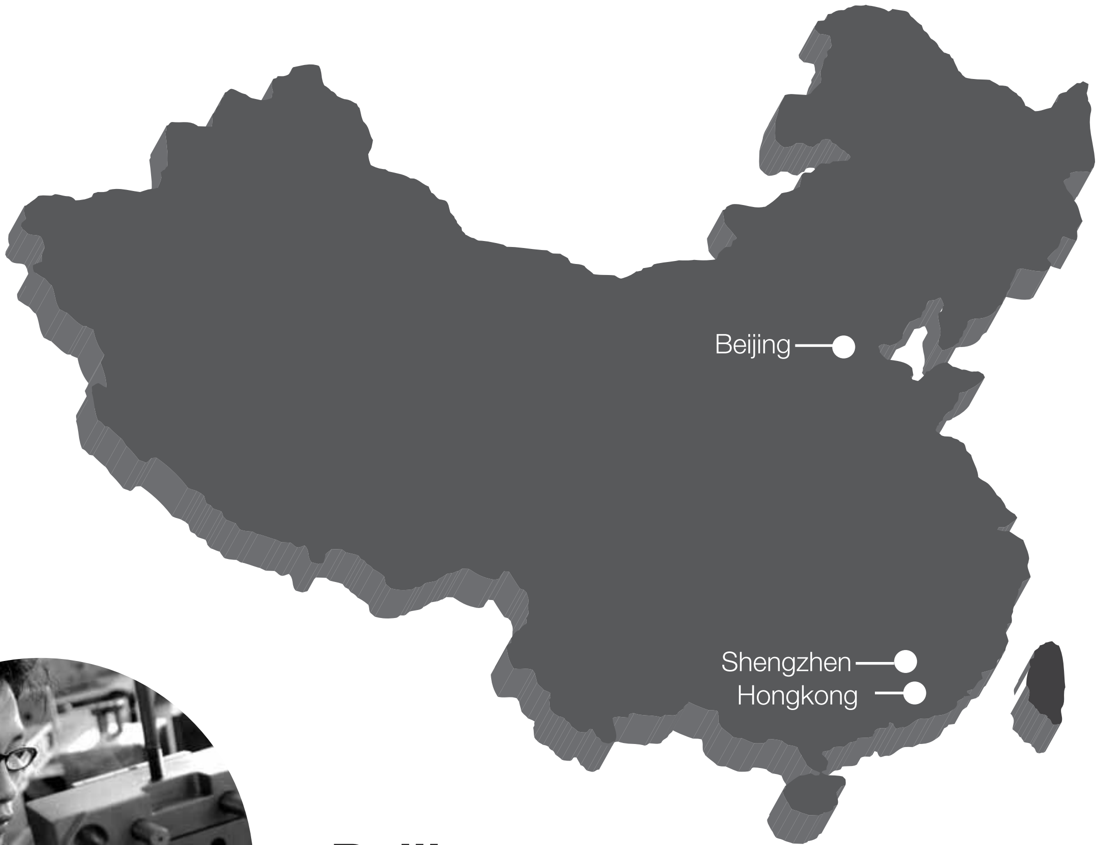
# CONTENTS





# CORPORATE **PROFILE**

China Kunda Technology Holdings Limited is a specialist in the field of plastic injection moulding with the ability to provide plastic engineering solutions in the production of complex plastic products. We are a provider of IMD products and plastic components to the electronics and automobile industry.




## Beijing

- Plastic automobile component manufacturing facility (57%-owned Beijing Baiju Automobile Component Co., Ltd)

## Hongkong

- Sales and logistic office

## Shenzhen

- Operations headquarter
- IMD manufacturing facility

# CHAIRMAN'S **STATEMENT**

**Dear Shareholders**

On behalf of the Board of Directors, I present to you the Group's FY2015 annual report.

FY2015 is a landmark year for our Company and Group. During the year we had completed the disposal of three of our subsidiaries which carries out the plastic injection mould and metal stamping businesses. These entities had been underperforming and their disposals should strengthen the Group. We believe that we had already seen some improvement in FY2015.

Following this restructuring, the principal businesses of the Group are:

i) The manufacture and sale of plastic automobile components from our plant in Beijing; and

ii) The manufacture and sale of In-Mould-Decoration (IMD) and other plastic components.

Despite a 5.6% decline in revenue in FY2015 as compared to FY2014, gross profit increased by 103.6% from HK$16.0 million in FY2014 to HK$32.5 million in FY2015. As a result of disposal and foreign exchange translation gains from the disposal of the subsidiaries, lower impairment charges and lower operating expenses, the Group recorded a profit before tax from continuing operations of HK$28.8 million in FY2015, compared to a loss before tax from continuing operations of HK$32.8 million.

For the remaining businesses, we will continue to focus on improving production and operational efficiency. In April 2014, we shifted our Beijing automobile component plant to a new factory which is significantly closer to our major customer, as compared to the old factory. We believe this will improve the underlying cost structure of our operations. We will also focus on increasing and diversifying our customer base for both the Beijing and IMD plants but this will require more time to materialise. Based on our current setup, we remain heavily reliant on direct and indirect sales to Beijing Hyundai Motor Co., Ltd for our revenue contribution. On the whole, we expect overall business environment to continue to remain challenging and volatile in the unstable global economic environment.

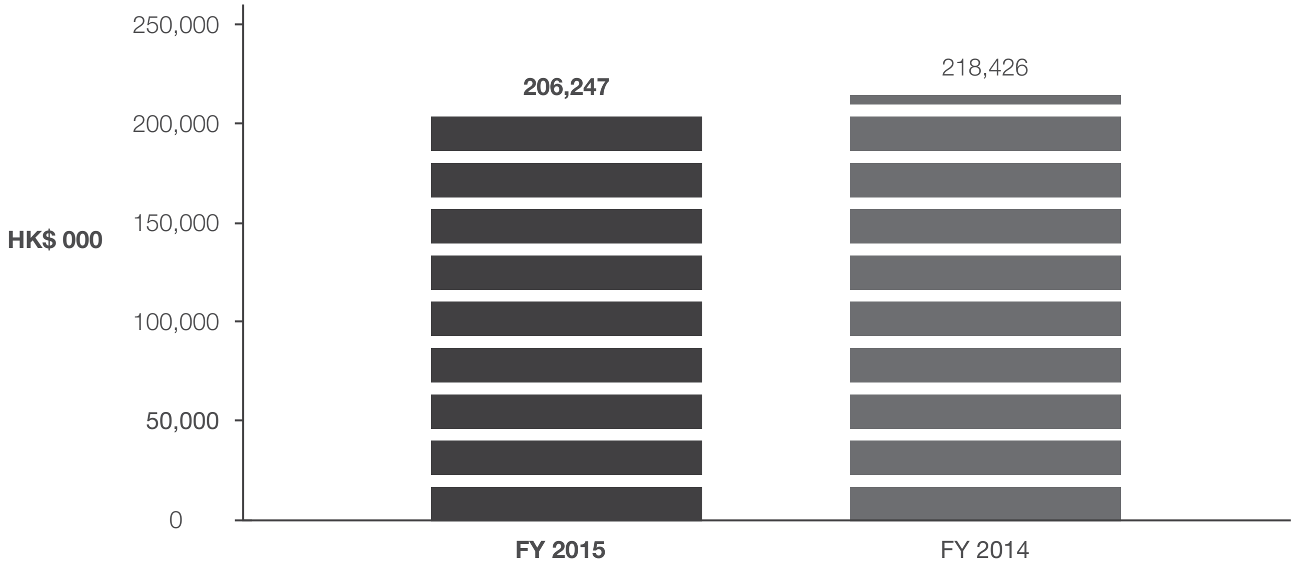
We are constantly reviewing our current business model and asset deployment to achieve a more competitive and efficient business model for the Group. The Group has also been actively reviewing and assessing new businesses that will add value to the Group.

The Company was placed on the Watch-List pursuant to Rule 1311 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("Watch-List") on 4 September 2013. We will continue to provide quarterly updates on the financial position and future directions of the Company and Group. Our aim is to exit from the Watch-List through the measures mentioned above.

Lastly, I would like to express my appreciation to our shareholders, customers and directors for their valuable contribution and support to the Group. I would also like to thank our employees for their hard work and commitment. I look forward to your continued support in the years ahead.

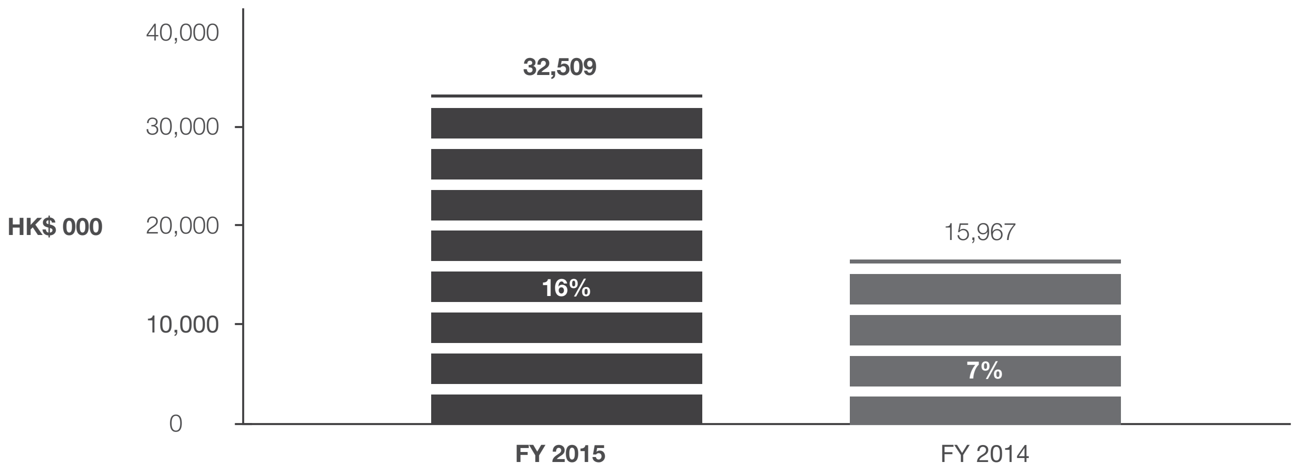
**Cai Kaoqun**
*Executive Chairman and CEO*

## Revenue




| | FY2015<br>HK$ 000 | FY2014<br>HK$ 000 |
|---|---|---|
| Revenue | **206,247** | 218,426 |

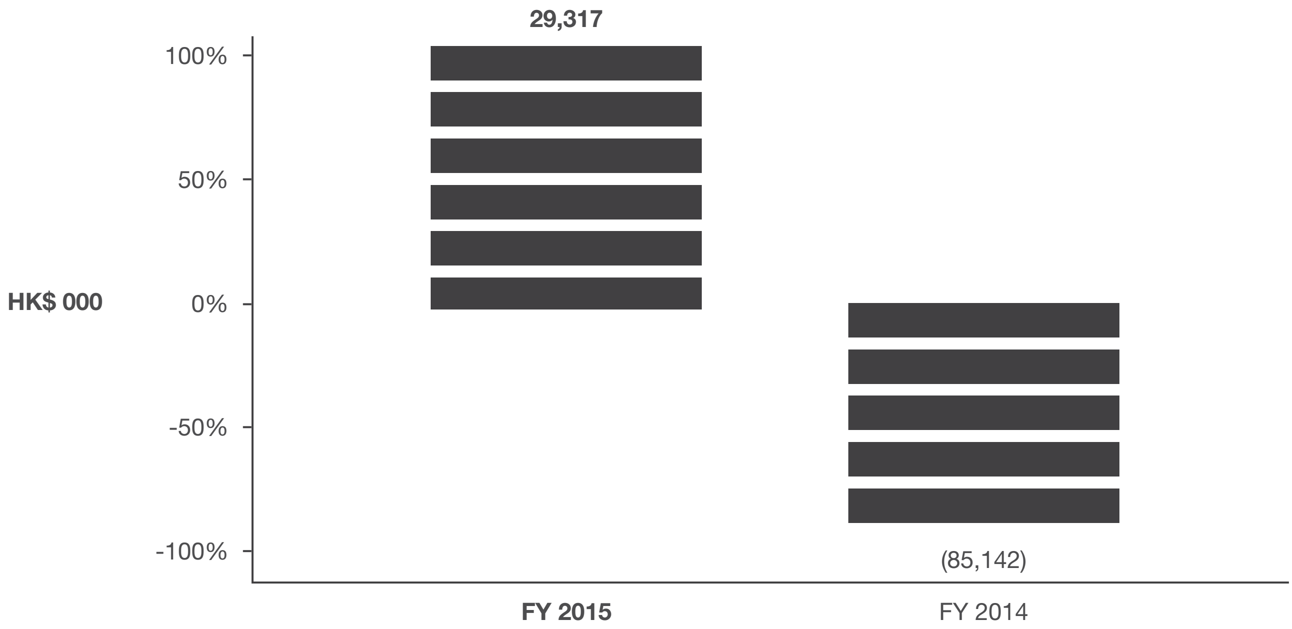
## Gross Profit




| | FY2015<br>HK$ 000 | FY2014<br>HK$ 000 |
|---|---|---|
| Gross profit | **32,509** | 15,967 |
| Gross profit margin | **16%** | 7% |

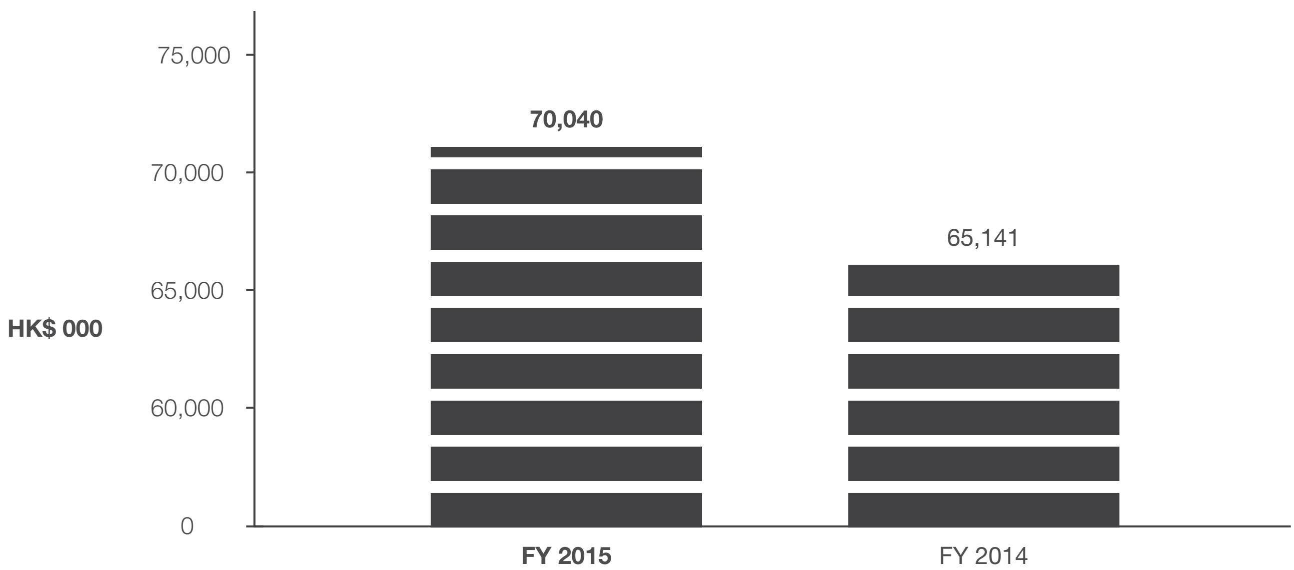
# OPERATIONS **REVIEW**

## Net Profit/(Loss)




| | FY2015 HK$ 000 | FY2014 HK$ 000 |
|---|---|---|
| **Net profit/(loss)** | **29,317** | (85,142) |

## Net Asset Value




| | FY2015 HK$ 000 | FY2014 HK$ 000 |
|---|---|---|
| **Net asset value** | **70,040** | 65,141 |

### Completion of disposal of subsidiaries

On 10 June 2014, the Group announced the entry into a conditional sale and purchase agreement with Mr Yu Jiahong (the "Purchaser") relating to the disposal of three subsidiaries, namely, Kunda Mould (International) Company Limited ("KMI"), Kunda Mould (Shenzhen) Co. Ltd. ("KMS") and Changchun FAW-Sihuan Lida Pressed Component Co. Ltd. ("CCL") (collectively "Sale Entities") through the sale of all the shares in KMI to the Purchaser (herein referred to as "Proposed Disposal"). The above transaction had been approved by shareholders of the Company during an Extraordinary General Meeting held on 25 July 2014.

On 9 February 2015, the Company and the Purchaser had agreed that the Benchmark Date for the Proposed Disposal is fixed at 31 July 2014 at a consideration of HK$30,737,000. The Proposed Disposal was completed on 10 February 2015. As such, the Disposal is deemed to have been completed on 31 July 2014.

### Profit & Loss

After the completion of the Proposed Disposal, the Group's principal businesses are:

(i) the manufacture and sale of In-Mould-Decoration ("IMD') and other plastic components; and

(ii) the manufacture and sale of plastic automobile components in Beijing.

Following the Disposal, the Group relies significantly on Beijing-Hyundai related sales for its revenue. In FY2015, revenue for Beijing-Hyundai related sales accounts for approximately 86.3% of the post-disposal revenue of the Group.

The Group is actively seeking to diversify the customer base of our existing business.

In FY2015, the Group recorded a 5.6% decline in revenue to HK$206.2 million due to decrease in revenue from both IMD and plastic injection part segment and Automobile component segment. Despite the decline in revenue, overall gross profit increased by 103.6%. The improvement in overall gross profit was mainly from our Automobile component segment, mainly as a result of production cost savings after the shift of our automobile component operation to a new factory in Beijing in April 2014 and favourable price revisions from our customers and suppliers in FY2015.

As compared to the past comparative year, other items of income (excluding gain on disposal of subsidiaries and foreign currency translation gain reclassified to profit or loss upon disposal of subsidiaries) increased by 0.2% in FY2015. Other items of expense (excluding impairment losses and reversal of impairment loss) decreased by 22.0% in FY2015 due to lower selling and administrative expenses.

Excluding impairment losses, reversal of impairment loss and gains arisen from disposal of subsidiaries, the Group recorded a profit before tax from continuing operations of HK$7.3 million as compared to a loss before tax of HK$16.9 million in FY2014.

Upon the Completion of the Proposed Disposal, the Group recorded both a HK$14.0 million gain on disposal of subsidiaries and a HK$7.2 million net foreign exchange translation gain in FY2015.

Arising from the above and coupled with decreases in impairment losses, income tax expenses and loss from discontinued operations, the Group recorded a net profit of HK$29.3 million in FY2015 compared to a net loss of HK$85.1 million in FY2014.

### Balance Sheet

*Non-current assets*

The decrease in property, plant and equipment is mainly due to:
- Disposal of plant and equipment through disposal of the Sale Entities, amounting to HK$23.0 million; and
- Current year depreciation charges of HK$3.0 million (including depreciation charges from Sale Entities);

offset by
- Additions of HK$12.7 million mainly relating to acquisition of plant and equipment and renovations in relation to the shift of our automobile component production facilities to the new factory in Beijing.

The decrease in land use rights was mainly due to the disposal of land use rights through disposal of Sale Entities, amounting to HK$5.9 million and current period amortisation charges of HK$0.6 million.

The decrease in non-current prepayment is mainly due to decrease in prepayments of HK$3.8 million made for the renovation of the new factory of Beijing Baiju, following the completion of the renovation. The HK$1.2 million prepayments as at 31 March 2015 relates to prepayments for moulds and other equipment made by Beijing Baiju.

*Current assets and current liabilities*

Inventories had decreased by 55.5% as compared to 31 March 2014. This was mainly due to:
- Disposal of Sale Entities which holds HK$39.9 million of inventory as at 31 March 2014; and
- Decrease in inventories by HK$1.6 million from our IMD and plastic injection part segment as a result of decline in production volume;

offset by
- Increase in inventories by HK$8.1 million from our Automobile Component segment following increase in automobile moulds used in the production of automobile components in Beijing, which will be reimbursed from our main customer, Beijing Hyundai.

Bill receivables of our Group relates to bank bills received from customers for the sale of products, the amount of bank bills held at any point in time is mainly dependent on the maturity period of the bank bills. Combined trade receivables and bill receivables of our Group as at 31 March 2015 had decreased by 41.1% as compared to 31 March 2014. This was mainly due to:
- Disposal of Sale Entities which holds HK$23.9 million of combined trade receivable and bill receivables as at 31 March 2014; and
- Decrease in combined trade receivable and bill receivables of HK$2.7 million from our IMD and plastic injection part segment following the decline in our IMD revenue.

# OPERATIONS **REVIEW**

As such, the combined bill and trade receivable turnover days had improved from 79 days in FY2014 to 69 days in FY2015.

Other receivables decreased by 76.9% as compared to 31March 2014. This was mainly due to:
- Decrease in advances given to the minority shareholder of one of our subsidiaries by HK$10.0 million;
- Decrease in receivables from the provision of raw materials to sub-contractors for further processing of our automobile component products, from HK$10.1 million as at 31 March 2014 to HK$4.8 million as at 31 March 2015. After the delivery of the final products to our customers, these raw material receivables will generally be offset against the final subcontracting charges which will be inclusive of the cost of raw materials. The transaction is structured in such a manner for better control over raw material wastage incurred by the sub-contractors. The corresponding accrued subcontracting charges payable to these sub-contractors had also decreased from HK$16.0 million as at 31 March 2014 to HK$14.7 million as at 31 March 2015. The Group do not expect any significant credit risk arising from these receivables as the Group is generally in a net payable position to these sub-contractors after taking into consideration the sub-contracting costs payable to them. On the whole, the net payable position of the Group to these sub-contractors had increased from HK$5.9 million as at 31 March 2014 to HK$9.9 million as at 31 March 2015;
- Decrease in VAT and other tax receivables of HK$1.5 million; and
- Disposal of Sale Entities which holds HK$1.1 million of other receivables as at 31 March 2014.

Current prepayments increased by 55.9% as compared to 31 March 214. The increase was mainly due to:
- A HK$16.3 million deposit made for acquisition of electronic components and touch screen components for the trading activities to be carried out by our IMD and plastic injection part segment;

offset by
- Disposal of Sale Entities which holds HK$6.0 million of prepayments as at 31 March 2014; and
- Decrease in prepayments of HK$2.0 million made to the raw material suppliers and sub-contractors of our automobile components segment.

*Assets and liabilities of disposal group classified as held for sale*

Upon the Completion of the Proposed Disposal, the assets and liabilities of CKG had been de-consolidated from the group's financial statement with effect from 31 July 2014.

*Non-current and current liabilities*

Trade and other payables decreased by 56.2% as compared to 31March 2014. This was mainly due to:
- Disposal of Sale Entities which holds HK$34.3 million of trade and other payables as at 31 March 2014;
- Decrease in trade and other payables of our IMD operation by HK$8.5 million as a result of decline in sales and production volume; and
- Decrease in trade and other payables of our automobile component business of approximately HK$18.4 million (including the accrued sub-contracting charges mentioned above) mainly due to timing difference of settlements made to the suppliers. The decrease is in line with the decrease in costs of goods sold of our Automobile component segment.

Other liabilities comprise mainly advances from customers, accruals of operating expenses and VAT and other tax payables. The decrease in other liabilities was mainly due to disposal of Sale Entities which holds HK$23.3 million of other liabilities as at 31 March 2014.

Amount due to related parties relates to HK$0.4 million advances given by a director and an HK$0.5 million amount owing to Shenzhen Precision.

## Cash flow

In FY2015, overall cash and cash equivalent decreased by HK$11.3 million. It was mainly due to operating cash outflow of HK$6.9 million (from operating activities), capital expenditure of HK$8.9 million (from investing activities) and net repayment of borrowings of HK$18.8 million (from financing activities) . The net operating cash outflow arises mainly from adjustment of the gain on disposal of subsidiaries to cash inflow from investing activities, increase in prepayments made and decrease in trade and other payables and other liabilities.

The cash outflows were offset by government grants of HK$0.6 million received in FY2015 (from investing activities), proceeds from disposal of property, plant and equipment of HK$0.6 million in FY2015 (from investing activities) and net cash inflow on disposal of a subsidiary of HK$22.1 million (from investing activities).

## MR. CAI KAOQUN
*Executive Chairman and CEO*

Cai Kaoqun is our Executive Chairman and CEO and founder of our Group. Mr Cai was appointed as our Director on 26 December 2007. He is responsible for the overall strategic and business management of our Group. He has over 20 years of experience in the plastic and moulds industry. Mr Cai started his career at the age of 18 as an operator in 深圳龙丰塑胶电子厂(Shenzhen Longfeng Plastic Electronics Factory) in 1988. From 1992 to 1993, he was the mould supervisor at 深圳飞达模具厂(Shenzhen Feida Mould Factory). In 1994, Mr Cai worked as a freelance engineer providing maintenance and repair services in respect of Plastic Injection Moulds prior to setting up Yick Kwan Tat in 1998.

In 2006, Mr Cai graduated from Aotearoa Business School established by Phoenix International University and University of New Zealand, where he was awarded the Executive Master of Business Administration. In the same year, he was certified as the Certified International Organization Planning Manager by the American Certification Institution. In December 2006, he was appointed as the vice-president at 广东省模具工业协会(Guangdong Die & Mould Industry Association). In 2007, he was appointed as the Technical Advisor to 材料形成与模具技术国家重点实验室(The National Key Laboratory of Material Forming and Mould Technology).

## MR. YANG JINBIAO
*Executive Director and COO*

Yang Jinbiao is our Executive Director and COO. Mr Yang was appointed as our Director on 26 December 2007. He joined us in January 2005, and since then, he has been responsible for managing the overall operations of our Group. He is also involved in the management of our human resources and R&D. Mr Yang has over 30 years of experience in the management of industrial enterprises.

Prior to joining our Group, from January 1970 to December 1974, Mr Yang was a clerk and statistician in the 福建生产建设兵团农业基地 (Agricultural Base of Fujian Production and Construction Army). He was a statistician of production and dispatch for 福建省尤溪县林委(Forest Commission of Youxi County in Fujian) from January 1975 to August 1987 and subsequently held the position of 党委书记(Communist Party Secretary) and 林业改革办主任(Forestry Reform Supervisor) from September 1987 to December 1993 within the same Commission. From January 1994 to August 1997, Mr Yang was the general manager and chief economist of 深圳华园塑胶制品有限公司(Shenzhen Huayuan Plastics and Electronics Co., Ltd.), where he was responsible for its development and finance. From September 1997 to March 2000, Mr Yang was the deputy general manager and 股改办主任(Capital Restructuring Supervisor) for 福建东方集团公司(Fujian Dongfang Group Companies) where he was responsible for the capital restructuring, strategic positioning and business development. From April 2000 to June 2002, Mr Yang was the general manager for 深圳诚鑫塑胶模具有限公司(Shenzhen Cheng Xin Plastic Injection Mould Co., Ltd.). From 2002 to 2004, Mr Yang was the deputy general manager for 福建省晋江新协盛建材有限公司(Fujian Province Jinjiang Xiesheng Construction Material Co., Ltd.), where he was responsible for its corporate restructuring and operation management.

In 1983, Mr Yang obtained the qualification as industrial statistician from 全国技术职称统考(PRC Nationwide Technical Qualification Examination). In 1986, he graduated from 福建 广播电视大学(Fujian Radio Broadcasting TV University) with a Diploma in Cadre Management. In 1987, he obtained the title 企业管理经济师 Economist in Enterprise Management) from 福建省人事厅(Manpower Bureau of Fujian Province).

In 1994, he graduated from 福建经济管理学院(Fujian Institute of Economics and Management) with a Diploma in Accounting. In 1998, he obtained the title 高级经济师(Senior Economist) from 建省人事厅(Manpower Bureau of Fujian Province). In addition, he obtained the title 工商管理高级经济师(Senior Economist in Business Administration) from 广东省人事厅 (Manpower Bureau of Guangdong Province) in 2008.

## MR. CAI KAOBING
*Executive Director*

Cai Kaobing is our Executive Director. He was appointed as our Director on 26 December 2007. He joined our Group in 1998 and is reponsible for special projects assigned by CEO.

In 1986, Mr Cai started his career as a woodworker in the renovation industry. From 1994 to 1997, he assisted Cai Kaoqun in the provision of maintenance and repair services in respect of Plastic Injection Moulds. From 1998 to 2009, he is responsible for the production and quality control of Moulds in Yick Kwan Tat. From 2010 to 2013, Mr Cai was the General Manager of the IMD division.

In 2003, Mr Cai graduated from 北京工商管理专修学院(Beijing Business School) with 工商企业管理(Diploma in Business Enterprise Management). In 2004, he obtained his Master of Business Administration from Newport University, USA. Mr Cai is the brother of Cai Kaoqun.

# BOARD OF **DIRECTORS**

### MR. HAU KHEE WEE
*Executive Director and CFO*

Hau Khee Wee is our Executive Director and CFO. He was appointed as our Director on 26 December 2007. He is responsible for overseeing and managing the accounting, finance, budgeting and taxation matters of our Group.

Prior to joining our Group in October 2007, Mr Hau was the Finance Manager and Company Secretary of China Powerplus Limited (previously known as Zhongguo Powerplus Industries Limited), where he carried out similar functions as the current appointment in our Group. From 2000 to 2002, he joined as an audit assistant with Ernst & Young and subsequently held the position of audit senior until 2004.

In 2000, Mr Hau obtained a Bachelor in Accountancy from Nanyang Technological University of Singapore. He is a non-practising member of Institute of Singapore Chartered Accountants.

### MR. HO CHEW THIM
*Lead Independent Director*

Ho Chew Thim was appointed as a Director of our Company on 18 June 2008. He is our Lead Independent Director.

He has over 35 years of experience in financial management and has held senior financial positions in mainly listed companies and banks. These include China Water Holdings Pte Ltd (an associate of SGX-listed CNA Group Ltd), CAN Group Ltd, Achieva Limited, China World Trade Centre Ltd (an associate of Shangri-La Asia Limited), Poh Tiong Choon Logistics Limited, China-Singapore Suzhou Industrial Park Development Co., Ltd, Deutsche Bank (Singapore Branch), L & M Group Investments Ltd, United Industrial Corporation Limited and United Overseas Bank Limited. He is also an Independent Director on the Board of several public listed companies in Singapore. Mr Ho is a Fellow Member of the Institute of Singapore Chartered Accountants and CPA Australia. He graduated with a Bachelor of Accountancy (First Class Honours) degree from University of Singapore in 1976.

### MR. LIM YIT KEONG
*Independent Director*

Lim Yit Keong was appointed as an Independent Director of our Company on 18 June 2008.

Mr Lim is currently a management consultant with Capital Consulting Pte Ltd. He founded Capital Consulting Pte Ltd in 2000. He has over 35 years of experience in finance with Global Knowledge Network Pte Ltd, KPMG, Dornier Asia Medical Systems Pte Ltd, Bena Consultancy Services, Braun AG and Wearnes Technology Pte Ltd. holding various senior financial positions. He is also the Independent Director of Edition Ltd. He is a Fellow Member of the Institute of Singapore Chartered Accountants (United Kingdom) and a member of the Institute of Singapore Chartered Accountants.

### MR. LI ZHIQIANG
*Independent Director*

Li Zhiqiang was appointed as an Independent Director of our Company on 30 June 2011.

Mr Li is currently the General Manager of Hua Lian Automobile Development Co., Ltd (华联汽车发展有限公司), a position which he had held since 2001. He was the General Manager of China Automobile Import and Export Shenyang Company (中国汽车进出口总公司沈阳公司) from 1998 to 2001 and the Deputy General Manager of China Automobile Import and Export Zhejiang Company (中国汽车进出口总公司浙江公司) from 1997 to 1998. He was the Human Resource Manager for China Automobile Import and Export Company (中国汽车工业进出口总公司) from 1992 to 1997. Prior to this, Mr Li had more than 20 years of management experience, mainly in the field of human resources management, in the China civil service and China state-owned enterprises. In 1977, Mr Li graduated from Beijing Industrial University (北京工业大学) with a degree in optical design (光路设计).

### MR. CAI SINAN

*Operation Manager of IMD division*

Cai Sinan is our operation manager of IMD division. He joined our Group in January 2013. He is currently in charge of the IMD operation of our Group. From 1980 to 1985, he worked as a statistician of 揭阳县白塔粮所 (Jieyang Baita Food Department). From 1986 to 1988, he was a supervisor of 深圳市平湖玩具厂 (Shenzhen City Ping Hu Toy Factory). From 1988 to 2012, he joined 东莞塘厦快达厂(Dongguan Tang Xia Kuai Da Factory) as a production manager. Mr Cai graduated from 广播电视大学 (University of Broadcast & Television) with a diploma in social and economic statistics in September 1982.

### MR. DUAN YUNTAO

*Assistant General Manager of Automobile Component division*

Duan Yuntao is our Assistant General Manager of automobile component operation in Beijing. He joined our Group in March 2010 and is currently responsible for managing the sales and marketing department of our automobile component division. From 1994 to 2007, he used to be a production manager of 北京凯迪实业有限公司 (Beijing Kai Di Enterprise Co., Ltd.), 北京雪花电器集团公司 (Beijing Xue Hua Electrical Appliance Co., Ltd.) and 北京东明化学科技有限公司 (Beijing Dong Ming Chemical Technology Co., Ltd). From August 2007 to February 2010, he was the marketing manager of 北京白菊电器有限公司 (Beijing Baiju Electrical Appliance Co., Ltd.). Mr Duan graduated from 天津轻工业学院 (Tianjin Light Industry College) with a Bachelor's degree in Mechanical Engineering in June 1994.

### MR. LV BO

*Assistant General Manager of Automobile Component division*

Lv Bo is our assistant general manager of automobile component division in Beijing. He joined our Group in June 2012 and is currently responsible for the production and quality control of automobile component division. From August 1993 to July 1997, he was a team leader of 重庆长安三厂 (Chong Qing Chang An Factory No.3). From September 1997 to July 2009, he joined our Group as a production supervisor. From October 2009 to April 2012, he was an assistant general manager of 北京嘉恒盛泰模具有限公司 (Beijing Jia Heng Sheng Tai Co. Ltd.). Mr Lv graduated from 广安职高 (Guang An Vocational High School) with a diploma in mechanical in July 1993.

### MR. LIM KHENG ONN

*Finance Manager*

Lim Kheng Onn is our finance manager and assists our CFO in the overall management of accounting, finance, budgeting and taxation matters of our Group. He joined our group in February 2010. From July 2004 to January 2010, he joined Ernst and Young as an audit assistant and subsequently held the position of audit supervisor. In July 2002, Mr Lim obtained a Bachelor's degree in Accounting and Finance from University of Plymouth. He is a fellow member of the Association of Chartered Certified Accountant (United Kingdom) and a member of Institute of Singapore Chartered Accountants.

# FINANCIAL **CONTENTS**

# CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining good corporate governance to enhance and safeguard the interest of its shareholders. This report below describes the corporate governance framework & practices of the Company with reference to the Code of Corporate Governance 2012 (the "**Code 2012**") for the financial year ended 31 March 2015 ("**FY2015**"). Explanations are provided where there are deviations from the Code 2012. The Company has complied with the principles of the Code where appropriate.

## 1. BOARD MATTERS

### 1.1. Board's Conduct of Affairs

**Principle 1: Every Company should be headed by a long-term effective Board to lead and control the Company. The Board is collectively responsible for the success of the Company. The Board works with Management to achieve this and the Management remains accountable to the Board.**

The Board's primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and supervises executive management. To fulfill this role, the Board sets the Group's strategic direction, establishes goals for management and monitors the achievement of these goals, thereby taking responsibility for the overall corporate governance of the Group.

Apart from its statutory responsibilities, the principal functions of the Board encompass the following:

- Providing stewardship to the Company including charting its corporate strategies and business plans;
- Ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;
- Authorizing and monitoring major investment and strategic commitments;
- Reviewing and assessing the performance of the Management (comprising executive directors ("**Executive Directors**") and executive officers ("**Executive Officers**")) of the Company;
- Overseeing the evaluation of the adequacy of internal controls, addressing risk management, financial reporting and compliance, and satisfying itself as to the sufficiency of such processes;
- Establishing a framework for effective control, including the safeguarding of shareholders' interests and the company's assets;
- Providing guidance and advice to Management;
- Being responsible for good corporate governance;
- Considering sustainability issues, including environmental and social factors, as part of the Company's strategic formulation;
- Identifying key stakeholder groups of the Company and recognizing that their perceptions affect the Company's reputation; and
- Setting the Company's values and standards, including ethical standards, and ensuring that the obligations to its shareholders and other stakeholders are understood and met.

All directors are expected to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

The Board has also adopted internal guidelines setting forth matters that require Board approval. The Board's decision or specific approval is required on matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance and dividends, acceptance of bank facilities, release of the Group's quarterly and full year results announcements and interested person transactions of a material nature.

The Board conducts regularly scheduled meetings. In between the scheduled meetings, the Board may have informal discussions on matters requiring urgent attention, which would then be formally confirmed and approved by circulating resolutions in writing. Ad-hoc Board meetings are also convened as and when they are deemed necessary in between the scheduled meetings. To facilitate the attendance and participation of the Directors at Board meetings, the Company's Articles of Association permit the Directors of the Company to attend meetings through the use of audio-visual communication equipment.

The number of meetings held by the Board and Board Committees and attendance for FY2015 up to the date of this Report are summarized in the table below:

| | Board | Audit Committee | Remuneration Committee | Nominating Committee |
|---|---|---|---|---|
| **No. of meetings held in FY2015** | 4 | 4 | 1 | 1 |
| **Directors** | **Number of meetings attended in FY2015** | | | |
| Cai Kaoqun | 4 | 4[(1)] | 1[(1)] | 1 |
| Yang Jinbiao | 4 | N.A. | N.A. | N.A. |
| Cai Kaobing | 4 | N.A. | N.A. | N.A. |
| Hau Khee Wee | 4 | 4[(1)] | 1[(1)] | 1[(1)] |
| Ho Chew Thim | 4 | 4 | 1 | 1 |
| Lim Yit Keong | 4 | 4 | 1 | 1 |
| Li Zhiqiang | 4 | 4 | 1 | N.A. |

**Note:**

(1) Attendance by invitation.

To assist the Board in the discharge of its responsibilities, the Board has established three (3) Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee. Upon its establishment, the Board Committees operate within clearly defined terms of reference and operating procedures, which would be reviewed on a regular basis. Minutes of all Board Committee meetings will be circulated to the Board so that the Directors are aware of and kept updated as to the proceedings and matters discussed during such meetings.

The Board ensures that incoming newly appointed Directors will be given an orientation on the Group's business activities, strategic direction, policies and governance practices to facilitate the effective discharge of their duties. Newly appointed Directors will also be provided with a formal letter setting out their duties and obligations. The Company will also provide training for first-time Directors in areas such as accounting, legal and industry-specific knowledge as appropriate. The Directors have been given briefings by the Management on the Group's business activities and its strategic directions to facilitate the effective discharge of their duties. The Management will monitor new laws, regulations and commercial developments and will keep the Board informed accordingly. Updates on relevant legal, regulatory and technical developments may be in writing or disseminated by way of briefings, presentations and/or handouts. Where necessary, the Company will also arrange for the Directors to attend any training programmes in connection with their duties as Directors.

### 1.2. Board Composition and Guidance

**Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.**

The Board currently consists of seven (7) Directors and is as follows:

| | |
|---|---|
| Cai Kaoqun | Executive Chairman and Chief Executive Officer |
| Yang Jinbiao | Executive Director and Chief Operating Officer |
| Cai Kaobing | Executive Director |
| Hau Khee Wee | Executive Director and Chief Financial Officer |
| Ho Chew Thim | Independent Non-Executive Director |
| Lim Yit Keong | Independent Non-Executive Director |
| Li Zhiqiang | Independent Non-Executive Director |

The Company endeavours to maintain a strong and independent element on the Board. Three (3) of the Company's Directors are independent, thereby fulfilling the Code 2012's requirement that at least one-third of the Board should comprise Independent Directors. The Company is aware of Guideline 2.2 of the Code 2012 that Independent Directors should constitute at least half of the Board where the Chairman is not an Independent Director, and the Company is considering the implementation of plans to satisfy Guideline 2.2 by year 2016.

The Board considers an Independent Director as one who has no relationship with the Company, its related companies, its 10% shareholders(1) or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment of the Group's affairs with a view to the best interests of the Company. The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies, its 10% shareholders or its officers that would interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement, with a view to the best interests of the Company. The independence of each Director will be reviewed annually by the Nominating Committee in accordance with the definition of independence in the Code 2012. The Nominating Committee has reviewed and is of the view that the three (3) Independent Directors are independent.

**Note:**

(1) The Code 2012 defines a 10% shareholder as a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that shares is not less than 10% of the total votes attached to all the voting shares in the company.

A review of the size of the Board will be undertaken by the Company, and the Nominating Committee will also determine if the current size and composition of the Board is appropriate for the scope and nature of the Group's operations, and facilitate effective decision-making. In line with Code 2012, the Nominating Committee will take into account the requirements of the Group's businesses and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Nominating Committee is of the view that the present composition of the Board allows it to exercise objective judgment on corporate matters and that no individual or small group of individuals dominates the decisions of the Board.

The composition of the Board will be reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. The Nominating Committee has reviewed and is of the view that the current Board comprises persons who as a group provide an appropriate balance and diversity of skills, experience and capabilities required for the Board to be effective.

The Independent Directors effectively check on Management by constructively challenging and helping to develop proposals on strategy. They monitor and review the reporting and performance of Management in meeting agreed goals and objectives. The Independent Directors may meet regularly on their own as warranted without the presence of Management.

The profiles of the Directors are set out on pages 7 and 8 of this Annual Report.

1.3. Chairman and CEO

**Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.**

Mr Cai Kaoqun is the Executive Chairman of the Board and Chief Executive Officer ("**CEO**") of the Company. The Board is of the view, given the scope and nature of the operations of the Group and the independence presence of the Board, that it is not necessary to separate the functions of Chairman and CEO. However, to ensure that there is no concentration of power and authority vested in one individual, the Company has appointed Mr Ho Chew Thim as the lead Independent Director (the "**Lead Independent Director**"). The Lead Independent Director will be available to the shareholders where they have concerns which cannot be resolved through the normal channels of the Executive Chairman, the CEO or the Chief Financial Officer, or where such contact is not possible or inappropriate. The Independent Directors will also meet periodically without the presence of the other Directors, and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings.

As CEO, Mr Cai Kaoqun works with the Board to determine the strategy for the Group and is responsible for the Group's business performance, and bears overall daily operational responsibility for the Group's business. He also works with the senior management of the Group to ensure that the senior management operates in accordance with the strategic and operational objectives of the Group.

As the Executive Chairman, Mr Cai Kaoqun leads the Board to ensure its effectiveness on all aspects of its role. He approves the agendas for the Board, and ensures that adequate time is available for discussion of all agenda items during the meetings, in particular strategic issues. The agendas for Board Committees are approved by the Executive Chairman together with the respective chairpersons of the Board Committees.

The Executive Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board, the Management and the shareholders of the Company. He encourages interactions between the Board and the senior management, as well as between the Executive and Non-Executive Directors, and promotes a culture of openness and debate at the Board. The Executive Chairman also ensures that the Directors receive complete, adequate and timely information and ensures effective communication with shareholders. In addition, the Executive Chairman takes a leading role in ensuring the Company's compliance with corporate governance guidelines.

1.4. Board Membership

**Principle 4: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.**

**The Nominating Committee**

The Company has constituted a Nominating Committee to, among other things, make recommendations to the Board on all Board appointments and oversee the Company's succession and leadership development plans. The Nominating Committee comprises Mr Lim Yit Keong (Chairman of the Nominating Committee), Mr Ho Chew Thim, and Mr Cai Kaoqun, of which the majority of whom, including the Chairman, are independent.

The primary function of the Nominating Committee is to determine the criteria for identifying candidates, review nominations for the appointment of Directors to the Board, to decide how the Board's performance may be evaluated and to propose objective performance criteria for the Board's approval. Its duties and functions are outlined as follows:-

(a) to make recommendations to the Board on all Board appointments and re-nomination having regard to the Director's contribution and performance (e.g. attendance, preparedness, participation, candour and any other salient factors);

(b) to ensure that all Directors would be required to submit themselves for re-nomination and re-election at regular intervals and at least once in every three (3) years;

(c) to determine annually whether a Director is independent, in accordance with the guidelines contained in the Code 2012;

(d) to decide whether a Director is able to and has adequately carried out his duties as a director of the Company, in particular, where the Director has multiple board representations;

(e) to review and approve any new employment of related persons and the proposed terms of their employment;

(f) put in place and review Board succession plans for the Directors, and in particular, for the Chairman of the Board and the chief executive officer of the Company;

(g) assessing the effectiveness of the Board as a whole and its Board Committees, and the contribution by each individual Director to the effectiveness of the Board;

(h) to decide how the Board's performance may be evaluated and to propose objective performance criteria, subject to the approval of the Board, which address how the Board has enhanced long term shareholders' value; and

(i) to review the training and professional development programs for the Board.

There is a formal and transparent process for the appointment of new Directors to the Board. The Nominating Committee reviews and recommends all new Board appointments and also the re-nomination and re-appointment of Directors to the Board. The Nominating Committee has used its best efforts to ensure that Directors appointed to the Board possess the background, experience and knowledge in technology, business, legal, finance and management skills critical to the Company's business and that each Director contributes and brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

In the nomination and selection process of a new Director, the Nominating Committee identifies key attributes of an incoming Director based on the requirements of the Group and recommends to the Board the appointment of the new Director. The Nominating Committee will take into consideration the current Board size and its composition – including the mix of expertise, skills and attributes of the Directors – and determine if the candidate's background, experience and knowledge will bolster the core competencies of the Board.

The Nominating Committee has conducted an annual review of the independence of the Independent Directors, based on guidelines stated in the Code 2012, and has ascertained that they are independent.

At present, the Board does not intend to set a maximum number of listed company board representations a Director may hold as it is of the view that the effectiveness of a Director should be evaluated by a qualitative assessment of his/her contributions to the Company's affairs taking into account his/her other commitments including his/her directorships in other listed companies.

The Nominating Committee has reviewed and is satisfied that Mr Ho Chew Thim and Mr Lim Yit Keong have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as Directors of the Company, notwithstanding their respective board representations on other listed companies.

All Directors are subject to the provisions of Article 107 of the Company's Articles of Association whereby one-third of the Directors are required to retire and subject themselves to re-election by the shareholders at each annual general meeting, and each Director is required to subject himself for re-nomination and re-election at least once every three (3) years. In addition, any new Director appointed during the year either to fill a casual vacancy or as an addition to the Board will have to retire at the annual general meeting following his appointment, and is eligible for re-election if he/she so desires.

The Nominating Committee has recommended to the Board that Mr Cai Kaobing, Mr Ho Chew Thim and Mr Lim Yit Keong be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. Mr Ho Chew Thim will, upon re-election as a Director, remain as the chairman of the Audit Committee, and a member of the Nominating Committee and Renumeration Committee. Mr Lim Yit Keong will, upon re-election as a Director, remain as the chairman of the Nominating Committee and Remuneration Committee, and a member of the Audit Committee. The current directorships and other principal commitments of Mr Cai Kaobing, Mr Ho Chew Thim and Mr Lim Yit Keong are found in the table below.

Key information regarding the Directors, including the date of initial appointment and last re-election of each Director, together with their directorships in other companies, are set out on pages 7 and 8 of this Annual Report and below:

| Name of Director | Date of initial Appointment | Date of last re-election | Directorships in other listed companies | |
|---|---|---|---|---|
| | | | Current | Past 3 Years |
| Cai Kaoqun | 26 December 2007 | 25 July 2014 | Nil | Nil |
| Yang Jinbiao | 26 December 2007 | 25 July 2014 | Nil | Nil |
| Cai Kaobing | 26 December 2007 | 25 July 2013 | Nil | Nil |
| Hau Khee Wee | 26 December 2007 | 25 July 2013 | Nil | Nil |
| Ho Chew Thim | 18 June 2008 | 25 July 2013 | • Yongmao Holdings Limited<br>• Mencast Holdings Ltd<br>• Hengyang Petrochemical Logistics Limited<br>• DeClout Limited | • R H Energy Limited |
| Lim Yit Keong | 18 June 2008 | 26 July 2012 | • Edition Limited | • R H Energy Limited |
| Li Zhiqiang | 30 June 2011 | 25 July 2014 | Nil | Nil |

There are no alternate directors appointed in the Company.

## 1.5. Board Performance

**Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board.**

The NC decides on how the Board's performance is to be evaluated and to propose objective performance criteria which include the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, Board's supervision of the CEO and top management and the Board's standard of conduct. A yearly Board's performance evaluation form is disseminated to all Directors. The evaluation is led by the Chairman of the NC who will make arrangement for the forms to be presented to the Board for review and discussion. The Board will review the feedback collectively and decide on any action plan.

The NC decide on the performance criteria of the Board Committees and will carry out an evaluation of the Board Committees on an annual basis. The performance criteria includes committee composition, conduct of meetings and the specific responsibilities to be discharged by each committee. The result of the evaluation is presented to the Board, and the Board will decide on any action plan.

The Board and the NC have endeavoured to ensure that Directors appointed to the Board possess the experience, knowledge and expertise critical to the Group's business and relevant to the Board Committees that they are members of. Every year, each director will carry out a self-appraisal based on performance criteria determined by the NC. The self-appraisal is submitted to the NC for review. NC will take into account the contribution by each Individual Director to the effectiveness of the Board as a whole and to its Board Committees having regard to the Director's performance and contribution.

The Nominating Committee is of the view that although some of the Directors have multiple board representations, these Directors are able and have been adequately carrying out their duties as Directors of the Company. The Nominating Committee, having reviewed the overall performance of the Board and the respective committees in terms of its roles and responsibilities and the conduct of its affairs as a whole, and the individual Director's performance, is of the view that the performance of the Board, the respective committees and each individual Director has been satisfactory.

### 1.6. Access to Information

**Principle 6: In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.**

The Company recognises the importance of continual dissemination of relevant information which is explicit, accurate, timely and vital to the Board in carrying out its duties. The Management reports to the Board the Company's progress and drawbacks in meeting its strategic business objectives or financial targets and other information relevant to the strategic issues encountered by the Company in a timely and accurate manner. Prior to each Board meeting, the Board members are each provided with the relevant documents and the necessary information to allow the Board to comprehensively understand the issues to be deliberated upon and to make informed decisions thereon, including periodic financial summary reports, budgets, forecasts and other disclosure documents. Directors are also entitled to request from Management additional information required to make informed decisions, which the Management will provide in a timely manner.

In exercising their duties, the Directors have unrestricted, separate and independent access to the Company's Management, company secretary ("**Company Secretary**") and independent auditors. The Company Secretary attends all Board meetings of the Company, ensures a good flow of information within the Board and between the management and the Non-Executive Directors, attends to corporate secretariat administration matters, and advises the Board on governance matters, ensuring Board procedures are followed and that applicable rules and regulations are complied with. The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their duties and responsibilities as directors.

## 2. REMUMERATION MATTERS

### 2.1. Procedures for Developing Remuneration Policies

**Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.**

The Remuneration Committee comprises Mr Lim Yit Keong (Chairman of the Remuneration Committee), Mr Ho Chew Thim and Mr Li Zhiqiang, of which all members, including the Chairman, are independent. The Remuneration Committee is regulated by a set of written terms of reference and has access to independent professional advice, if necessary.

The Remuneration Committee reviews and recommends to the Board a framework of remuneration for the Directors and key management personnel, including the CEO, other personnel having the authority and responsibility for planning, directing and controlling the activities of the Company, and the employees related to the Executive Directors and controlling shareholders of the Company, and reviews specific remuneration packages for each Executive Director as well as for each key management personnel. The review will cover all aspects of remuneration including but not limited to Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and other benefits-in-kind.

Annually, the Remuneration Committee will review the level and mix of remuneration and benefits policies and practices of the Company, including long-term incentives. When conducting such reviews, the Remuneration Committee will take into account the performance of the Company and that of individual employees. It will also review and approve the framework for salary reviews, performance bonus and incentives for key management personnel of the Group. The recommendations of the Remuneration Committee on remuneration of Directors will be submitted for endorsement by the entire Board.

Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his remuneration package. The overriding principle is that no Director should be involved in deciding his own remuneration. The Remuneration Committee has met to consider and review the remuneration packages of the Executive Directors and key Executive Officers, including those employees related to the Executive Directors and controlling shareholders of the Company.

The Remuneration Committee may from time to time, and where necessary or required, engage independent external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management. Among other things, this helps the Company to stay competitive in its remuneration packages. No independent external consultants have been engaged by the Company for this purpose for FY2015.

### 2.2. Level and Mix of Remuneration

**Principle 8: The level and structure of remuneration should be aligned with long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) key Management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.**

In setting remuneration packages, the Remuneration Committee takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors.

The Independent Directors receive a fixed Directors' fees, in accordance with their contribution, taking into account factors such as effort, time spent, and responsibilities of each Director. The Remuneration Committee recognises the need to pay competitive fees to attract, motivate and retain such Independent Directors and Non-Executive Director, yet not over-compensate them to the extent that their independence (if applicable) may be compromised. Directors' fees are recommended by the Board for approval by the shareholders at the Company's annual general meeting.

The Company's Executive Directors, namely Mr Cai Kaoqun, Mr Yang Jinbiao, Mr Cai Kaobing and Mr Hau Khee Wee are remunerated based on their service agreements with the Company. The remuneration comprises a fixed salary, a one month fixed bonus and performance bonuses linked to corporate and individual performances where appropriate, and is designed to align the interests of the Executive Directors with those of shareholders. The Executive Directors do not receive Directors' Fees.

The Group has also entered into letters of employment with all the Executive Officers. Such letters typically provide for the salaries payable to the Executive Officers, their working hours, medical benefits, grounds of termination and certain restrictive covenants.

The Company's compensation framework comprises fixed pay and short-term and long-term incentives. The Company subscribes to linking executive remuneration to corporate and individual performance, based on an annual appraisal of employees and using indicators such as core values, competencies, key result areas, performance rating, and potential of the employees. Long-term incentive schemes are put in place to motivate and reward employees and align their interests with the interests of shareholders to promote the long-term success of the Company.

The recommendations of the Remuneration Committee will be submitted to the Board for endorsement. The Remuneration Committee will be provided with access to expert professional advice on remuneration matters as and when necessary. The expense of such services shall be borne by the Company.

## 2.3. Disclosure on Remuneration

**Principle 9: Every Company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the Company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.**

The breakdown of remuneration[1] of the Directors of the Company for FY2015 is as follows:

| Directors/ Chief Executive Officers | Fees % | Salaries % | Bonus % | Total % |
|---|---|---|---|---|
| **Below S$250,000 per annum** | | | | |
| Cai Kaoqun | – | 100 | – | 100 |
| Yang Jinbiao | – | 100 | – | 100 |
| Cai Kaobing | – | 100 | – | 100 |
| Hau Khee Wee | – | 93 | 7 | 100 |
| Ho Chew Thim | 100 | – | – | 100 |
| Lim Yit Keong | 100 | – | – | 100 |
| Li Zhiqiang | 100 | – | – | 100 |

**Note:**

(1) Remuneration package of Executive Directors include fixed bonus of 1 month payable as long as the Executive Director is under the employment of the Company on the last day of March. Mr Cai Kaoqun, Yang Jinbiao and Cai Kaobing had voluntarily agreed to waived their fixed bonus for FY2015.

The aggregate total of remuneration of Directors including the proposed director fees for FY2015 is S$410,860.

Regarding the Code 2012's recommendation to fully disclose the remuneration of directors and the key management personnel, given the highly competitive environment that the Company is operating in and the confidentiality attached to the remuneration matters, the Company believes that disclosing remuneration in bands of S$250,000 and disclosing in aggregate the total remuneration paid to the directors and the key management personnel provide sufficient overview of the remuneration of directors and the key management personnel.

The Group only has four key executive officers, details of remuneration paid to key Executive Officers of the Group for FY2015 is as follows:

| Key Executive Officers | Salaries % | Bonus % | Total % |
|---|---|---|---|
| **Below S$250,000** | | | |
| Cai Sinan | 100 | – | 100 |
| Duan Yuntao | 100 | – | 100 |
| Lv Bo | 100 | – | 100 |
| Lim Kheng Onn | 93 | 7 | 100 |

The aggregate total remuneration of key executives is S$162,628.

The aggregate amount of any termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the key management personnel (who are not Directors or the CEO) is nil.

There were no employees during the financial period from 1 April 2014 to 31 March 2015 who were immediate family members of a Director and/or the CEO whose remuneration is in excess of $50,000 during the financial year ended 31 March 2015.

The Company had pursuant to an extraordinary general meeting of the Company held on 28 July 2011 established an employee share option scheme, known as the "China Kunda Employee Stock Option Scheme".

Since the establishment of the China Kunda Employee Stock Option Scheme to the end of FY2015, no option has been granted under the Scheme.

## 3. ACCOUNTABILITY AND AUDIT

### 3.1. Accountability

**Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.**

The Board believes that it should conduct itself in ways that deliver maximum sustainable value to its shareholders. Timely releases of the Group's financial results and all significant information to shareholders as well as the prompt fulfillment of statutory requirements are ways to maintain shareholder's confidence and trust in the Board's capability and integrity.

Currently, the Company is required to release quarterly and full year results announcements pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Listing Manual**"). In this respect, the Board, with the assistance of the Management, strives to provide a balanced and understandable assessment of the Group's performance, position and prospects. The Board also undertakes such effort with respect to other price sensitive public reports and reports to regulators, where required. Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings.

The Management is responsible to the Board and the Board itself is accountable to the shareholders of the Company. Annual general meetings are held every year to obtain shareholders' approval for routine business, as well as the election of the Directors.

The Board has also established written policies of the Company to ensure compliance of the Company with legislative and regulatory requirements, including requirements under the Listing Manual. In addition to the statutory responsibilities, the Board also ensures that the principal risks of the Company's business are identified and appropriately managed.

### 3.2. Internal Controls

**Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the Company's asset, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.**

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The Board also oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board will review on an annual basis the adequacy and effectiveness of the Company's internal controls system, including financial, operational, compliance and information technology controls.

With the assistance of the auditors of the Company and through the Audit Committee, the Board reviews the adequacy and effectiveness of the Company's risk management policies and systems, and key internal controls at least on an annual basis, provides its perspective on management control and ensures that the necessary corrective actions are taken on a timely basis. There are formal procedures in place for both the internal and external auditors to report conclusions and recommendations to Management and to the Audit Committee independently.

Based on the internal controls established and maintained by the Group, work performed by the auditors of the Company, and reviews performed by the Management and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems, are adequate and effective.

The Board has also received assurances from the CEO and Chief Financial Officer of the Group that:

a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

b) They have evaluated the effectiveness of the Company's and Group's internal controls and have discussed with the Company's auditors of their reporting points and note that there have been no known material deficiencies in the design or operation of internal controls which could adversely affect the Company's and Group's ability to record, process, summarise or report financial data.

The Board understands that it may establish a separate board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the Company's risk management framework and policies. The Company currently does not have a separate board risk committee.

### 3.3. Audit Committee

**Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.**

The Audit Committee comprises Mr Ho Chew Thim (Chairman of Audit Committee), Mr Li Zhiqiang, and Mr Lim Yit Keong. All members including the Chairman of the Audit Committee are Independent Directors of the Company.

The Audit Committee members possess many years of experience in accounting, legal, business and financial management. The Board considers that the members of the Audit Committee are appropriately qualified to discharge the responsibilities of the Audit Committee.

It functions under a set of written terms of reference which sets out its responsibilities set out below. The Audit Committee also has explicit authority to investigate any matter within its terms of reference.

(a) review the scope and results of the audit and its cost effectiveness;

(b) review the independence and objectivity of the external auditors annually;

(c) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;

(d) review the quarterly and full year financial results before submission to the Board for approval;

(e) review the adequacy of the Group's internal controls, as set out in the Code 2012;

(f) review the effectiveness of the Group's internal audit function;

(g) meet periodically with the Company's internal and external auditors to review their audit plan and discuss the results of their respective examinations and their evaluation of the Group's system of internal accounting controls without the presence of the Company's Management;

(h) consider and recommend to the Board on the appointment, re-appointment and removal of the external and internal auditors, and approving the remuneration and terms of engagement of the external and internal auditors;

(i) review arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;

(j) review the external and internal auditors' reports;

(k) review the co-operation given by the Group's officers to the external auditors;

(l) review and approve interested persons transactions, if any, falling within the scope of Chapter 9 of the Listing Manual;

(m) review the adequacy of the business risk management process;

(n) review potential conflicts of interest, if any, and ensuring procedures for resolving such conflicts are strictly adhered to;

(o) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;

(p) review and establish procedures for receipt, retention and treatment of complaints received by the Group regarding inter alia, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group; and

(q) generally undertake such other functions and duties as may be required by statute or the Listing Manual, or by such amendments made thereto from time to time.

In addition to reviewing the effectiveness of the Group's internal audit function, the internal auditor's primary line of reporting is the Chairman of the Audit Committee.

Apart from the above functions, the Audit Committee will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results or financial position. The Audit Committee is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Group. Each member of the Audit Committee will abstain from any deliberations and/or voting in respect of matters in which he is interested.

The Audit Committee has full access to the Management and also full discretion to invite any Director or key Management to attend its meetings, and has been given reasonable resources to enable it to discharge its function properly.

The Audit Committee has met with the external auditors and the internal auditors, without the presence of Management, at least once in FY2015.

The Audit Committee has recommended to the Board the nomination of Messrs Ernst & Young LLP for their re-appointment as external auditors of the Company at the forthcoming annual general meeting. The Audit Committee is satisfied that Messrs Ernst & Young LLP and their audit engagement partner assigned to the audit have adequate resources and experience to meet its audit obligations. In this connection, the Company confirms that it complies with Rules 712 and 715 of the Listing Manual in relation to the proposed re-appointment of Messrs Ernst & Young LLP as the external auditors of the Company. The Audit Committee, having reviewed the scope and value of non-audit services provided to the Group by the external auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The total fees paid to Messrs Ernst & Young LLP for FY2015 was S$203,000, including the audit fee of S$198,000 and the non-audit services fee of S$5,000, which is 2.5% of the audit fee.

The Group has established a whistle-blowing policy, endorsed by the Audit Committee, that seeks to provide a channel for the Group's employees to raise concerns in good faith and in confidence about possible improprieties in matters of financial reporting or other matters such as possible corruption, suspected fraud and other non-compliance issues. Details of the whistle-blowing policies and arrangements have been made available to the Group's employees.

The Audit Committee takes measures to keep abreast of the changes to accounting standards and issues which have direct impact on financial statements, with training conducted by professional or external consultants.

### 3.4. Internal Audit

**Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.**

The Board recognises the importance of maintaining an internal audit function to maintain a sound system of internal control within the Group to safeguard shareholders' investments and the Company's assets. The Audit Committee has the responsibility to review annually the adequacy and effectiveness of the internal audit function, review the internal audit program and ensure co-ordination between internal auditor, external auditor and Management, and ensure that the internal auditor meets or exceeds the standards set by nationally or internationally recognised professional bodies, in particular, the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The Audit Committee will also approve the hiring, removal, evaluation and compensation of the accounting or auditing firm or corporation which the internal audit function of the Company is outsourced to.

The internal audit function of the Group has been outsourced to BDO LLP ("**Internal Auditors**") since FY2010. The Internal Auditor's primary line of reporting is to the Chairman of the Audit Committee, in respect of their work, which will include reviewing the risk control environment and business processes. The primary objective of the internal audit is to report to the Audit Committee and the Board the extent that sound risk management processes and controls are in place and operate effectively. The Internal Auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee. The internal audits are carried out in accordance with the BDO Global Internal Audit Methodology which is consistent with recognized professional standards, and the coverage of the internal audits is rotated to cover potential risk areas. The Audit Committee is satisfied that the internal audit function has been adequately resourced and has the appropriate standing within the Group.

## 4. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

### 4.1. Shareholder Rights and Communication with Shareholders

**Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.**

**Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.**

In line with the continuous disclosure obligations of the Company pursuant to the Listing Manual and the Companies Act, Chapter 50 of Singapore, it is the Board's policy to ensure that all shareholders are informed regularly and on a timely basis of every significant development that has an impact on the Group.

Pertinent information is communicated to shareholders on a regular and timely basis through the following means:

(a) results and annual reports are announced or issued within the mandatory period;

(b) material information are disclosed in a comprehensive, accurate and timely manner via SGXNET and the press; and

(c) the Company's annual general meetings.

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. The quarterly and full-year financial results for are released to shareholders within 45 and 60 days of the end of each quarter and full year, respectively.

The Board establishes and maintains regular dialogue with its shareholders, to gather views or inputs and to address shareholders' concerns. The annual general meeting of the Company is a principal forum for dialogue and interaction with all shareholders. All shareholders of the Company will receive annual reports and are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Shareholders are invited at such meetings to put forth any questions they may have on the motions to be debated and decided upon. Any shareholder who is unable to attend is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance.

The Company does not have a fixed policy on payment of dividends; instead the issue of the payment of dividend is deliberated seriously and at length by the Board annually having regard to various factors. Where dividends are not paid, the Company discloses the reasons. The Company did not pay any dividends in respect of FY2015 in view of the challenging operating environment.

### 4.2. Conduct of Shareholder Meetings

**Principle 16: Companies should encourage greater shareholder participation at annual general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.**

At the annual general meeting, the shareholders of the Company will be given the opportunity to voice their views and direct to the Directors or the Management questions regarding the Company. At the Company's general meetings, each distinct issue is proposed as a separate resolution, and all resolutions will be voted on by poll.

The Chairman of each Board Committees is required to be present to address questions at the annual general meeting. The external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

After the annual general meeting, the Company will make an announcement of the details results showing the number of votes cast for and against each resolution and the respective percentage, and will prepare minutes of the annual general meeting. Such minutes are available to shareholders upon their request.

Having undertaken a cost/benefit analysis, the Company has decided not to undertaking polling by means of electronic polling at this juncture.

## ADDITIONAL INFORMATION

### 5. DEALING IN SECURITIES

The Company has adopted a policy on dealings in securities in accordance with Rule 1207(19) of the Listing Manual. The Directors and officers are prohibited to deal in the Company's securities, during the period commencing two (2) weeks before the announcement of the Company's financial results for each of the first three (3) quarters of its financial year, and one (1) month before the announcement of the Company's full year financial results, and ending on the date of the announcement of the relevant results. In addition, the officers of the Company are reminded (i) not to deal with the Company's securities for a short term considerations or if they are in possession of unpublished material price-sensitive information; and (ii) that they are required to report on their dealings in shares of the Company.

Directors and officers are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period.

### 6. MATERIAL CONTRACTS

Save as disclosed above and in the annual report, there was no material contract entered into by the Company or any of its subsidiary companies involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2015 or if not then subsisting, entered into since the end of the previous financial year.

### 7. INTERESTED PERSONS TRANSACTIONS ("IPTs")

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that transactions are conducted on an arm's length basis that are not prejudicial to the interests of the shareholders. When a potential conflict of interest occurs, the Director concerned will be excluded from discussions and refrain from exercising any influence over other members of the Board. Besides the information disclosed below, there is no other IPTs conducted during the year, which exceeds S$100,000 in value.

| Name of Interested Person | Aggregate value of all IPTs conducted during FY2015 (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all IPTs conducted during FY2015 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) |
|---|---|---|
| | HK$'000 | HK$'000 |
| **Shenzhen Kunda Precision Mould Co., Ltd** | | |
| Rental of factory premise at Bao Long Yi Road | 1.434 | – |
| **Total** | 1,434 | – |

The Group does not have a general mandate obtained from shareholders for IPTs.

## 8. RISK MANAGEMENT

The Board had not delegated the oversight responsibility of risk management to a separate committee. The Board, Audit Committee and Management assume the responsibility of the risk management function. Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the Audit Committee.

The Board would like to highlight to shareholders that, following the disposal of the Group's three subsidiaries, namely Kunda Mould (International) Company Limited, Kunda Mould (Shenzhen) Co., Ltd and Changchun FAW-Sihuan Lida Pressed Component Co., Ltd, in FY2015 (the "Disposal"), the Group relies significantly on direct and indirect sales to Beijing Hyundai Motor Co., Ltd for its revenue. In FY2015, direct and indirect sales to Beijing Hyundai Motor Co., Ltd account for approximately 86.3% of the post-Disposal revenue of the Group. The Group is actively seeking to diversify its revenue base through diversifying the customer base of our existing businesses and seeking new business ventures.

# DIRECTORS' **REPORT**

The directors are pleased to present their report to the members together with the audited consolidated financial statements of China Kunda Technology Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 March 2015.

## 1. Directors

The directors of the Company in office at the date of this report are:

Cai Kaoqun
Yang Jinbiao
Cai Kaobing
Hau Khee Wee
Ho Chew Thim
Lim Yit Keong
Li Zhiqiang

## 2. Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## 3. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

| | Direct interest | | Deemed interest | |
|---|---|---|---|---|
| **Name of director** | **At the beginning of financial year or date of appointment** | **At the end of financial year** | **At the beginning of financial year or date of appointment** | **At the end of financial year** |
| **Ordinary shares of the Company** | | | | |
| Cai Kaoqun | – | – | 123,084,000 | 123,084,000 |
| Yang Jinbiao | – | – | 19,200,000 | 19,200,000 |
| Cai Kaobing | – | – | 19,200,000 | 19,200,000 |
| Hau Khee Wee | 200,000 | 200,000 | – | – |
| Li Zhiqiang | 950,000 | 950,000 | – | – |

China Hongda Holdings Limited, a company wholly-owned by Mr.Cai Kaoqun holds 123,084,000 shares and Good Moral Technology Limited, whose shareholders are Mr. Yang Jinbiao and Mr.Cai Kaobing, holds 19,200,000 shares in the Company as at 31 March 2015. As such, Mr.Cai Kaoqun, Mr. Yang Jinbiao and Mr.Cai Kaobing are deemed to have an interest in the Company through the shares held by China Hongda Holdings Limited and Good Moral Technology Limited respectively.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 April 2015.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

## 4. Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

## 5. Options

No options were issued by the Company or its subsidiaries during the financial year. As at 31 March 2015, there were no options on the unissued shares of the Company or its subsidiaries which are outstanding.

## 6. Audit committee

The audit committee (AC) carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50. The functions performed and further details are set out in the Corporate Governance Report.

## 7. Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Cai Kaoqun
Director

Yang Jinbiao
Director

10 June 2015

# STATEMENT
# BY DIRECTORS

We, Cai Kaoqun and Yang Jinbiao, being two of the directors of China Kunda Technology Holdings Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2015 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors:

Cai Kaoqun
Director

Yang Jinbiao
Director

10 June 2015

# INDEPENDENT
# AUDITOR'S REPORT

To the Members of China Kunda Technology Holdings Limited

## Report on the Financial Statements

We have audited the accompanying financial statements of China Kunda Technology Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 30 to 82, which comprise the balance sheets of the Group and the Company as at 31 March 2015, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2015 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
10 June 2015

# CONSOLIDATED
# INCOME STATEMENT

For the financial year ended 31 March 2015

(Amounts expressed in Hong Kong Dollars)

| | Note | 2015 | 2014 (Restated) |
|---|---|---|---|
| | | HK$'000 | HK$'000 |
| <u>Continuing operations</u> | | | |
| **Revenue** | 4 | 206,247 | 218,426 |
| Cost of sales | | (173,738) | (202,459) |
| **Gross profit** | | 32,509 | 15,967 |
| **Other items of income** | | | |
| Interest income | 5 | 702 | 1,025 |
| Other income | 6 | 22,510 | 1,883 |
| **Other items of expense** | | | |
| Selling and distribution expenses | | (9,596) | (11,175) |
| General and administrative expenses | | (17,597) | (23,760) |
| Other credit/(expenses) | 7 | 237 | (16,743) |
| **Profit/(Loss) before tax from continuing operations** | 8 | 28,765 | (32,803) |
| Income tax credit/(expense) | 9 | 5,249 | (603) |
| **Profit/(Loss) from continuing operations, net of tax** | | 34,014 | (33,406) |
| <u>Discontinued operations</u> | | | |
| **Loss from discontinued operations, net of tax** | 10(b) | (4,697) | (51,736) |
| **Profit/(Loss) for the year** | | 29,317 | (85,142) |
| **Attributable to:** | | | |
| **Owners of the Company** | | | |
| Profit/(Loss) from continuing operations, net of tax | | 29,311 | (24,916) |
| Loss from discontinued operations, net of tax | | (4,888) | (48,177) |
| **Profit/(Loss) for the year attributable to owners of the Company** | | 24,423 | (73,093) |
| **Non-controlling interests** | | | |
| Profit/(Loss) from continuing operations, net of tax | | 4,703 | (8,490) |
| Profit/(Loss) from discontinued operations, net of tax | | 191 | (3,559) |
| **Profit/(Loss) for the year attributable to non-controlling interests** | | 4,894 | (12,049) |
| **Earnings/(Loss) per share from continuing operations attributable to owners of the Company (HK cents per share)** | | | |
| Basic and diluted | 11 (a) | 8.3 | (7.1) |
| **Earnings/(Loss) per share(HK cents per share)** | | | |
| Basic and diluted | 11 (b) | 6.9 | (20.8) |

*The accompanying accounting policies and explanatory information form an integral part of the financial statements.*

# CONSOLIDATED STATEMENT OF
# COMPREHENSIVE INCOME

For the financial year ended 31 March 2015

(Amounts expressed in Hong Kong dollars)

| | Note | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| **Profit/(Loss) for the year** | | 29,317 | (85,142) |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Foreign currency translation, representing other comprehensive income for the year, net of tax | 26(c) | 3,466 | 1,430 |
| **Total comprehensive income for the year** | | 32,783 | (83,712) |
| **Attributable to:** | | | |
| Owners of the Company | | 27,699 | (71,822) |
| Non-controlling interests | | 5,084 | (11,890) |
| **Total comprehensive income for the year** | | 32,783 | (83,712) |
| **Attributable to:** | | | |
| **Owners of the Company** | | | |
| Total comprehensive income from continuing operations, net of tax | | 32,403 | (25,529) |
| Total comprehensive income from discontinued operations, net of tax | | (4,704) | (46,293) |
| **Total comprehensive income for the year attributable to owners of the Company** | | 27,699 | (71,822) |

*The accompanying accounting policies and explanatory information form an integral part of the financial statements.*

# BALANCE
# SHEETS

As at 31 March 2015

(Amounts expressed in Hong Kong dollars)

| | Note | Group 2015 HK$'000 | Group 2014 HK$'000 | Company 2015 HK$'000 | Company 2014 HK$'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Investment in subsidiaries | 12 | – | – | 48,864 | 66,156 |
| Property, plant and equipment | 13 | 10,984 | 24,063 | – | – |
| Land use rights | 15 | – | 6,464 | – | – |
| Prepayments | 18 | 1,214 | 4,792 | – | – |
| | | 12,198 | 35,319 | 48,864 | 66,156 |
| **Current assets** | | | | | |
| Inventories | 16 | 26,682 | 60,024 | – | – |
| Trade and other receivables | 17 | 44,148 | 89,003 | – | – |
| Prepayments | 18 | 22,561 | 14,469 | 222 | 149 |
| Amounts due from related parties | 19 | – | – | 34,388 | 43,488 |
| Cash and bank balances | 20 | 27,494 | 38,621 | 279 | 64 |
| | | 120,885 | 202,117 | 34,889 | 43,701 |
| Assets of disposal group classified as held for sale | 10 | – | 42,062 | – | – |
| | | 120,885 | 244,179 | 34,889 | 43,701 |
| **Total assets** | | 133,083 | 279,498 | 83,753 | 109,857 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 21 | 49,264 | 112,542 | – | – |
| Other liabilities | 22 | 10,659 | 34,339 | 1,774 | 2,839 |
| Amounts due to related parties | 19 | 889 | 924 | – | 1,072 |
| Loans and borrowings | 23 | – | 29,136 | – | – |
| Deferred government grants | 24 | 1,876 | 6,370 | – | – |
| Income tax payable | | 355 | 4,883 | – | – |
| | | 63,043 | 188,194 | 1,774 | 3,911 |
| Liabilities directly associated with disposal group classified as held for sale | 10 | – | 19,550 | – | – |
| | | 63,043 | 207,744 | 1,774 | 3,911 |
| **Net current assets** | | 57,842 | 36,435 | 33,115 | 39,790 |
| **Non-current liabilities** | | | | | |
| Deferred government grants | 24 | – | 6,613 | – | – |
| **Total liabilities** | | 63,043 | 214,357 | 1,774 | 3,911 |
| **Net assets** | | 70,040 | 65,141 | 81,979 | 105,946 |

*The accompanying accounting policies and explanatory information form an integral part of the financial statements.*

(Amounts expressed in Hong Kong dollars)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2015 | 2014 | 2015 | 2014 |
| | | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **EQUITY** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 25 | 145,057 | 145,057 | 145,057 | 145,057 |
| Accumulated losses | | (48,559) | (32,765) | (80,007) | (55,702) |
| Restructuring reserve | 26 | (74,397) | (106,937) | – | – |
| Statutory reserve | 26 | – | 2,928 | – | – |
| Foreign currency translation reserve | 26 | 22,660 | 26,560 | 16,929 | 16,591 |
| | | 44,761 | 34,843 | 81,979 | 105,946 |
| **Non-controlling interests** | | 25,279 | 30,298 | – | – |
| **Total equity** | | 70,040 | 65,141 | 81,979 | 105,946 |
| **Total equity and liabilities** | | 133,083 | 279,498 | 83,753 | 109,857 |

*The accompanying accounting policies and explanatory information form an integral part of the financial statements.*

# STATEMENTS OF
# CHANGES IN EQUITY

For the financial year ended 31 March 2015

(Amounts expressed in Hong Kong dollars)

| | | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Equity, total | Equity attributable to owners of the Company, total | Share capital (Note 25) | Accumulated losses | Restructuring reserve (Note 26 (a)) | Statutory reserve (Note 26(b)) | Foreign currency translation reserve (Note 26(c)) | Non-controlling interests |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Group** | | | | | | | | |
| **2015** | | | | | | | | |
| **Opening balance at 1 April 2014** | 65,141 | 34,843 | 145,057 | (32,765) | (106,937) | 2,928 | 26,560 | 30,298 |
| **Profit for the year** | 29,317 | 24,423 | – | 24,423 | – | – | – | 4,894 |
| Other comprehensive income | | | | | | | | |
| Foreign currency translation | 3,466 | 3,276 | – | – | – | – | 3,276 | 190 |
| **Other comprehensive income for the year, net of tax** | 3,466 | 3,276 | – | – | – | – | 3,276 | 190 |
| **Total comprehensive income for the year** | 32,783 | 27,699 | – | 24,423 | – | – | 3,276 | 5,084 |
| Others | | | | | | | | |
| Acquisition of non-controlling interests | (7,606) | 248 | – | 248 | – | – | – | (7,854) |
| Disposal of subsidiaries | (20,278) | (18,029) | – | (40,465) | 32,540 | (2,928) | (7,176) | (2,249) |
| **Total others** | (27,884) | (17,781) | – | (40,217) | 32,540 | (2,928) | (7,176) | (10,103) |
| **Closing balance at 31 March 2015** | 70,040 | 44,761 | 145,057 | (48,559) | (74,397) | – | 22,660 | 25,279 |

*The accompanying accounting policies and explanatory information form an integral part of the financial statements.*

(Amounts expressed in Hong Kong dollars)

| | | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Equity, total | Equity attributable to owners of the Company, total | Share capital (Note 25) | Accumulated Profits/ (losses) | Restructuring reserve (Note 26 (a)) | Statutory reserve (Note 26(b)) | Foreign currency translation reserve (Note 26(c)) | Non-controlling interests |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Group** | | | | | | | | |
| **2014** | | | | | | | | |
| **Opening balance at 1 April 2013** | 152,040 | 107,118 | 145,057 | 40,019 | (106,937) | 3,391 | 25,588 | 44,922 |
| **Loss for the year** | (85,142) | (73,056) | – | (73,056) | – | – | – | (12,086) |
| Other comprehensive income | | | | | | | | |
| Foreign currency translation | 1,430 | 1,234 | – | – | – | – | 1,234 | 196 |
| **Other comprehensive income for the year, net of tax** | 1,430 | 1,234 | – | – | – | | 1,234 | 196 |
| **Total comprehensive income for the year** | (83,712) | (71,822) | – | (73,056) | – | – | 1,234 | (11,890) |
| Others | | | | | | | | |
| Disposal of a subsidiary | (3,187) | (453) | – | – | – | (191) | (262) | (2,734) |
| Transfer to statutory reserve fund | – | – | – | 272 | – | (272) | – | – |
| **Total others** | (3,187) | (453) | – | 272 | – | (463) | (262) | (2,734) |
| **Closing balance at 31 March 2014** | 65,141 | 34,843 | 145,057 | (32,765) | (106,937) | 2,928 | 26,560 | 30,298 |

*The accompanying accounting policies and explanatory information form an integral part of the financial statements.*

# STATEMENTS OF
# CHANGES IN EQUITY

For the financial year ended 31 March 2015

(Amounts expressed in Hong Kong dollars)

| | Equity, total HK$'000 | Share capital (Note 25) HK$'000 | Accumulated losses HK$'000 | Foreign currency translation reserve (Note 26(c)) HK$'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **2015** | | | | |
| **Opening balance at 1 April 2014** | 105,946 | 145,057 | (55,702) | 16,591 |
| **Loss for the year** | (24,305) | – | (24,305) | – |
| Other comprehensive income | | | | |
| Foreign currency translation | 338 | – | – | 338 |
| **Other comprehensive income for the year, net of tax** | 338 | – | – | 338 |
| **Total comprehensive income for the year** | (23,967) | – | (24,305) | 338 |
| **Closing balance at 31 March 2015** | 81,979 | 145,057 | (80,007) | 16,929 |
| **Company** | | | | |
| **2014** | | | | |
| **Opening balance at 1 April 2013** | 153,224 | 145,057 | (7,795) | 15,962 |
| **Loss for the year** | (47,907) | – | (47,907) | – |
| Other comprehensive income | | | | |
| Foreign currency translation | 629 | – | – | 629 |
| **Other comprehensive income for the year, net of tax** | 629 | – | – | 629 |
| **Total comprehensive income for the year** | (47,278) | – | (47,907) | 629 |
| **Closing balance at 31 March 2014** | 105,946 | 145,057 | (55,702) | 16,591 |

*The accompanying accounting policies and explanatory information form an integral part of the financial statements.*

# CONSOLIDATED
# CASH FLOW STATEMENT

For the financial year ended 31 March 2015

(Amounts expressed in Hong Kong dollars)

| | Note | Group 2015 HK$'000 | Group 2014 HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit/(Loss) before tax from continuing operations | | 28,765 | (32,803) |
| Loss before tax from discontinued operations | 10 | (4,697) | (51,736) |
| Profit/(Loss) before tax, total | | 24,068 | (84,539) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 13 | 2,977 | 14,441 |
| Amortisation of intangible assets | 14 | – | 69 |
| Amortisation of land use rights | 15 | 571 | 1,743 |
| Impairment loss on development costs | 14 | – | 434 |
| (Reversal of impairment loss)/Impairment loss on inventories | | (30) | 3,024 |
| Impairment loss on doubtful trade and other receivables | | 520 | 2,849 |
| Impairment loss on property, plant and equipment | 13 | – | 37,671 |
| Gain on disposal of property, plant and equipment | 6 | (562) | (516) |
| Gain on disposal of subsidiaries | 6 | (14,041) | (655) |
| Interest income | 5 | (702) | (1,025) |
| Translation differences | | (6,451) | 1,012 |
| Total adjustments | | (17,718) | 59,047 |
| **Operating cash flows before changes in working capital** | | 6,350 | (25,492) |
| Changes in working capital | | | |
| (Increase)/decrease in: | | | |
| Trade and other receivables | | 27,798 | 10,031 |
| Inventories | | 1,755 | (5,600) |
| Prepayments | | (12,072) | (10,676) |
| Amount due from related parties, net | | (35) | 44,217 |
| Increase/(decrease) in: | | | |
| Trade and other payables | | (18,496) | 25,669 |
| Other liabilities | | (11,587) | 2,965 |
| Total changes in working capital | | (12,637) | 66,606 |
| **Cash flows (used in)/from operations** | | (6,287) | 41,114 |
| Interest received | | 702 | 1,025 |
| Income taxes paid | | (1,308) | (3,708) |
| **Net cash flows (used in)/from operating activities** | | (6,893) | 38,431 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | A | (8,898) | (12,922) |
| Proceeds from disposal of property, plant and equipment | | 562 | 997 |
| Government grants received | | 595 | 7,171 |
| Net cash inflow on disposal of a subsidiary | 12 | 22,118 | 2,723 |
| **Net cash flows from/(used in) investing activities** | | 14,377 | (2,031) |

*The accompanying accounting policies and explanatory information form an integral part of the financial statements.*

CONSOLIDATED

# CASH FLOW STATEMENT

For the financial year ended 31 March 2015

(Amounts expressed in Hong Kong dollars)

| | Note | Group 2015 HK$'000 | Group 2014 HK$'000 |
|---|---|---|---|
| **Financing activities** | | | |
| Repayment of obligations under finance leases | | – | (405) |
| Proceeds from short-term borrowings | | 1,690 | 37,611 |
| Repayment of short-term borrowings | | (20,466) | (56,172) |
| **Net cash flows used in financing activities** | | (18,776) | (18,966) |
| **Net (decrease)/increase in cash and cash equivalents** | | (11,292) | 17,434 |
| Effect of exchange rate changes on cash and cash equivalents | | 99 | (282) |
| **Cash and cash equivalents at 1 April** | | 38,687 | 21,535 |
| **Cash and cash equivalents at 31 March** | 20 | 27,494 | 38,687 |

**Note to the consolidated cash flow statement**

**A. Purchase of property, plant and equipment**

| | Group 2015 HK$'000 | Group 2014 HK$'000 |
|---|---|---|
| Aggregate cost of property, plant and equipment acquired (Note 13) | 12,735 | 8,159 |
| Add: Payment for prior years acquisitions | 115 | 532 |
| Less: Movement of prepayments | (3,578) | 4,346 |
| Less: Outstanding payments (Note 21) | (374) | (115) |
| Cash payments made to acquire property, plant and equipment | 8,898 | 12,922 |

*The accompanying accounting policies and explanatory information form an integral part of the financial statements.*

## 1. Corporate information

China Kunda Technology Holdings Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal place of business of the Group is located at Bao Long Industrial Park, Bao Long Yi Road, Longgang District, Shenzhen City, Guangdong Province, PRC and the registered office of the Company is at 4 Shenton Way, SGX Centre 2, #17-01, Singapore 068807.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Hong Kong Dollars ("HK$") and all values in the tables are rounded to the nearest thousand ("$'000"), except when otherwise indicated.

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 April 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

### 2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards that have been issued but not yet effective:

| Description | Effective for annual periods beginning on or after |
|---|---|
| *Amendments to FRS 19: Defined Benefit Plans: Employee Contributions* | 1 July 2014 |
| Improvements to FRSs 2014 (January 2014) | |
| - Amendment to FRS 102 *Share Based Payment* | 1 July 2014 |
| - Amendment to FRS 103 *Business Combinations* | 1 July 2014 |
| - Amendment to FRS 108 *Operating Segments* | 1 July 2014 |
| - Amendment to FRS 113 *Fair Value Measurement* | 1 July 2014 |
| - Amendment to FRS 16 *Property, Plant and Equipment and FRS 38 Intangible Assets* | 1 July 2014 |
| - Amendment to FRS 24 *Related Party Disclosure* | 1 July 2014 |
| Improvements to FRSs (February 2014) | |
| - Amendment to FRS 103 *Business Combinations* | 1 July 2014 |
| - Amendment to FRS 113 *Fair Value Measurement* | 1 July 2014 |

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

## 2. Summary of significant accounting policies (cont'd)

### 2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Consolidation of the subsidiaries in Hong Kong and PRC is based on the subsidiaries' financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the Hong Kong and PRC statutory financial statements of the subsidiaries, prepared for Hong Kong and PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the Hong Kong and PRC subsidiaries are based on the amounts stated in their respective statutory financial statements.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

## 2. Summary of significant accounting policies (cont'd)

### 2.4 *Basis of consolidation and business combinations (cont'd)*

(b) *Business combinations and goodwill (cont'd)*

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

<u>Business combinations involving entities under common control</u>

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.

- No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.

- No additional goodwill is recognised as a result of the combination.

- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within equity as merger reserve.

- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place.

- Comparatives are restated to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements or from the date the entities had come under common control, if later.

### 2.5 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

## 2. Summary of significant accounting policies (cont'd)

### 2.6 *Foreign currency*

The Group's consolidated financial statements are presented in Hong Kong Dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into HK$ at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

### 2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

| | | Years |
|---|---|---|
| Buildings | – | 20 |
| Office equipment | – | 2 to 5 |
| Plant and machinery | – | 3 to 10 |
| Tooling | – | 1 |
| Motor vehicles | – | 5 |
| Renovations | – | 1 to 5 |

Assets under construction are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

## 2. Summary of significant accounting policies (cont'd)

### 2.8 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(i) *Research and development costs*

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditures during the development.

Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised on a straight-line basis over their estimated useful life of 5 years.

(ii) *Computer software*

Computer software which is acquired separately is amortised on a straight-line basis over its finite useful life, ranging from 3 to 5 years.

### 2.9 *Land use rights*

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 6 years.

### 2.10 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

## 2. Summary of significant accounting policies (cont'd)

### 2.10 *Impairment of non-financial assets (cont'd)*

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.11 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

### 2.12 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

*Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

## 2. Summary of significant accounting policies (cont'd)

### 2.12 *Financial instruments (cont'd)*

(b) *Financial liabilities (cont'd)*

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 2.13 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

### 2.14 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

## 2. Summary of significant accounting policies (cont'd)

### 2.15 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted-average cost basis.

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted-average cost basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### 2.16 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.17 *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred government grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grants related to income are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in profit or loss, under the general heading “Other income”.

### 2.18 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.19 *Employee benefits*

*Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.The subsidiaries in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

## 2. Summary of significant accounting policies (cont'd)

### 2.19 *Employee benefits (cont'd)*

*Defined contribution plans (cont'd)*

In addition, the Company makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme.

Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

### 2.20 *Leases*

*As lessee*

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

### 2.21 *Non-current assets held for sale and discontinued operations*

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

### 2.22 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) *Interest income*

Interest income is recognised using the effective interest method.

## 2. Summary of significant accounting policies (cont'd)

### 2.23 *Taxes*

(a) *Current income tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

## 2. Summary of significant accounting policies (cont'd)

2.23 ***Taxes (cont'd)***

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2.24 ***Share capital and share issue expenses***

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.25 ***Contingencies***

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

## 3 Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 ***Judgments made in applying accounting policies***

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the consolidated financial statements:

## 3 Significant accounting judgments and estimates (cont'd)

### 3.1 *Judgments made in applying accounting policies (cont'd)*

(i) *Determination of functional currency*

The Group measures foreign currency translations in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency.

### 3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) *Useful lives of plant and machinery*

The cost of plant and machinery for the manufacture of mould, automobile components and IMD products is depreciated on a straight-line basis less their estimated residual value (0% to 5% of original cost) over their respective estimated useful lives. Management estimates the useful lives of these assets to be 3 to 10 years. This estimate is based on the historical experience of the actual useful lives of plant and machinery of similar nature and functions. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore, future depreciation charges could be revised. The carrying amount of these assets of the Group as at 31 March 2015 was HK$2,286,000 (2014: HK$1,356,000). A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately HK$15,000 (2014: HK$461,000) variance in the Group's profit before tax.

(ii) *Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the forecast for the next ten years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

(iii) *Other estimates*

The Group, on its own or in reliance on third party experts, also applies estimates and assumptions in the following areas:

(a) Impairment of loans and receivables; and

(b) Taxes

These estimates and assumptions are however not expected to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities as disclosed in the notes to the financial statements within the next financial year.

## 4. Revenue

| | Group 2015 HK$'000 | Group 2014 HK$'000 |
|---|---|---|
| Sale of goods | 206,247 | 218,426 |

## 5. Interest income

| | Group 2015 HK$'000 | Group 2014 HK$'000 |
|---|---|---|
| Interest income from loans and receivables | 702 | 1,025 |

## 6. Other income

| | Group 2015 HK$'000 | Group 2014 HK$'000 |
|---|---|---|
| Gain on disposal of property, plant and equipment | 562 | 516 |
| Sale of raw materials/scrap materials | 478 | 158 |
| Gain on disposal of subsidiaries (Note 12) | 14,041 | 655 |
| Cumulative exchange gain in respect of the net assets of the subsidiaries reclassified from equity on loss of control of the subsidiaries (Note 12) | 7,176 | – |
| Government grants related to income | 8 | 191 |
| Net foreign exchange gain | 245 | 255 |
| Others | – | 108 |
| | 22,510 | 1,883 |

## 7. Other credit/(expenses)

| | Group 2015 HK$'000 | Group 2014 HK$'000 |
|---|---|---|
| Impairment loss on doubtful trade and other receivables | (408) | (832) |
| Recovery of previously impaired trade receivables | – | 64 |
| Reversal of impairment loss/(Impairment loss) on inventories | 645 | (1,825) |
| Impairment loss on property, plant and equipment | – | (14,150) |
| | 237 | (16,743) |

## 8. Profit/(Loss) before tax from continuing operations

The following items have been included in arriving at profit/(loss) before tax from continuing operations:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | HK$'000 | HK$'000 |
| Audit fees paid to auditors of the Company | 1,386 | 1,717 |
| Non-audit fees paid to auditors of the Company | 33 | 34 |
| Depreciation of property, plant and equipment (Note 27) | 1,687 | 4,287 |
| Amortisation of intangible assets | – | 2 |
| Employee benefits expense (Note 28) | 24,262 | 32,053 |
| Operating lease expense (Note 30(b)) | 6,831 | 6,906 |
| Research expenses | 660 | 2,250 |
| Inventories recognised as an expense in cost of sales (Note 16) | 172,827 | 201,876 |

## 9. Income tax credit/(expense)

Major components of income tax credit/(expense)

The major components of income tax credit/(expense) for the years ended 31 March 2015 and 2014 are:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | HK$'000 | HK$'000 |
| **Consolidated income statement:** | | |
| Current income taxation: | | |
| Current income taxation | (1) | – |
| Over/(under)provision in respect of previous years | 5,250 | (603) |
| Income tax credit/(expense) recognised in profit or loss | 5,249 | (603) |

Relationship between tax credit/(expense) and accounting profit

The reconciliation between tax credit/(expense) and the product of profit/(loss) before tax multiplied by the applicable corporate tax rates for the financial years ended 31 March 2015 and 2014 are as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | HK$'000 | HK$'000 |
| Profit/(Loss) before tax from continuing operations | 28,765 | (32,803) |
| Loss before tax from discontinued operations (Note 10) | (4,697) | (51,681) |
| Accounting profit/(loss) before tax | 24,068 | (84,484) |

## 9. Income tax credit/(expense) (cont'd)

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | HK$'000 | HK$'000 |
| Tax at the domestic rates applicable to profits in the countries where the Group operates | 3,641 | 21,455 |
| Adjustments: | | |
| Non-deductible expenses | (1,837) | (7,449) |
| Income not subject to taxation | 2 | 2 |
| Deferred tax assets not recognised | (1,804) | (13,939) |
| Over/(under)provision in respect of previous years | 5,250 | (603) |
| Others | (3) | (69) |
| Income tax credit/(expense) recognised in profit or loss | 5,249 | (603) |

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

(i) China Kunda Technology Holdings Limited (the "Company")

The Company is incorporated in Singapore and the corporate income tax rate applicable to the Company for the financial years ended 31 March 2015 and 31 March 2014 is 17%. No provision for income tax has been made as the Company has no assessable profits for the financial years ended 31 March 2015 and 31 March 2014.

(ii) Kunda Mould (Shenzhen) Co., Ltd ("KMS")

Pursuant to the Enterprise Income Tax of the PRC (the "EIT Law") promulgated by the National People's Congress on 16 March 2007 (effective from 1 January 2008), resident and non-resident enterprises deriving income from the PRC are subject to Enterprise Income Tax ("EIT"). Under the EIT Law, EIT applies to all enterprises, including Foreign-invested enterprises and domestic enterprises. The general applicable EIT rate in the PRC is 25%.

In FY2013, KMS qualified for the Technologically Advanced Foreign Investment Enterprise status and obtained the approval from the relevant tax authorities. Accordingly, KMS is subjected to a reduced tax rate of 15% from 1 January 2013 to 31 December 2015.

(iii) Kunda Plastic Electronic (Shenzhen) Co., Ltd ("KPE"), Beijing Baiju Automobile Component Co., Ltd. ("BBJ") and Changchun Sihuan Lida Pressed Component Co., Ltd. ("CLD")

Pursuant to the Enterprise Income Tax of the PRC (the "EIT Law") promulgated by the National People's Congress on 16 March 2007 (effective from 1 January 2008), resident and non-resident enterprises deriving income from the PRC are subject to Enterprise Income Tax ("EIT"). Under the EIT Law, EIT applies to all enterprises, including Foreign-invested enterprises and domestic enterprises. The general applicable EIT rate in the PRC is 25%. Accordingly, KPE, BBJ and CLD are subjected to an applicable tax rate of 25% for the financial year ended 31 March 2015.

(iv) Kunda Industrial Limited ("BVI")

BVI was incorporated in the British Virgin Islands ("BVI") under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from payment of British Virgin Islands income taxes. Under the prevailing PRC Income Tax Law, BVI is being treated as having a permanent establishment in the PRC as the company has rendered its services in the PRC through its employees stationed in Shenzhen. Accordingly, a portion of the technical service fee earned by BVI is regarded as onshore taxable income and is subjected to the PRC applicable tax rate of 25% for the financial year ended 31 March 2010. The rendering of technical services has ceased on 28 July 2009. Hence, BVI does not have any taxable profits for the financial year ended 31 March 2015.

## 9. Income tax credit/(expense) (cont'd)

(v) Yick Kwan Tat Enterprise Co., Ltd. ("YKT") and Kunda Mould (International) Co., Ltd ("KMI")

YKT and KMI are incorporated in Hong Kong and are subjected to a tax rate of 16.5% for the financial years ended 31 March 2015 and 31 March 2014.

Unrecognised tax losses

As at the end of the reporting period, the Group has deductible temporary differences and tax losses of approximately HK$25,056,000 (2014: HK$25,056,000), that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the loss-making subsidiaries operate.

## 10. Discontinued operations and disposal group classified as held for sale

(a) *Disposal group classified as held for sale*

On 10 October 2012, the board of directors announced the entry into a conditional sale and purchase agreement with Jilin Guo'an Group Co., Ltd ("Jilin Guo'an") relating to certain proposed transactions. The transactions include the disposal of its 60% equity interest in one of its subsidiary, Changchun Kunda-Guoan Automobile Plastic Mould Co., Ltd. ("Changchun Kunda"), which was previously reported in the mould segment.

As at 31 March 2014, the assets and liabilities related to Changchun Kunda had been presented in the balance sheet as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale".

Balance sheet disclosures

The major classes of assets and liabilities of Changchun Kunda classified as held for sale as at 31 March 2014 are as follows:

| | Group<br>2014<br>HK$'000 |
|---|---|
| **Assets:** | |
| Property, plant and equipment | 16,681 |
| Land use rights | 18,314 |
| Inventories | 1,418 |
| Trade and other receivables | 579 |
| Prepayments in relation to construction of factories | 4,378 |
| Other prepayments | 626 |
| Cash and bank balances | 66 |
| Assets of disposal group classified as held for sale | 42,062 |
| **Liabilities:** | |
| Trade and other payables | (16,855) |
| Other liabilities | (2,695) |
| Liabilities directly associated with disposal group classified as held for sale | (19,550) |
| Net assets of disposal group classified as held for sale | 22,512 |

## 10. Discontinued operations and disposal group classified as held for sale (cont'd)

(b) *Discontinued operations*

On 12 March 2014, the Group announced the entry into a sale and purchase agreement with a group of independent third party purchasers in respect of the disposal of its 60% equity interest in a PRC subsidiary, Shenzhen Qunxinda Wu Jin Company Limited ("Shenzhen Qunxinda"). On 31 March 2015, the disposal of Shenzhen Qunxinda was completed.

On 10 June 2014, the Group announced the entry into a conditional sale and purchase agreement with an independent third party purchaser in respect of the disposal of three subsidiaries, Kunda Mould (International) Company Limited ("Kunda Mould International"), Kunda Mould (Shenzhen) Company Limited ("Kunda Mould Shenzhen") and Changchun FAW-Sihuan Lida Pressed Component Company Limited ("Changchun Lida") through the sale of all the shares in Kunda Mould International to the purchaser. Under the terms of conditional sale and purchase agreement, the disposal of Changchun Kunda is deemed to have been completed and the risk and rewards associated with the disposal of Kunda Mould International, Kunda Mould Shenzhen, Changchun Lida and Changchun Kunda are transferred to the purchaser with effect from 31 July 2014. On 10 February 2015, the disposal of the above transaction was completed.

As such, the results of Shenzhen Qunxinda, Kunda Mould International, Kunda Mould Shenzhen, Changchun Lida and Changchun Kunda have been shown separately in the consolidated income statement within one line item, "Loss from discontinued operations, net of tax".

<u>Income statement disclosures</u>

The results of discontinued operations for the financial years ended 31 March are as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | HK$'000 | HK$'000 |
| Revenue | 35,076 | 97,029 |
| Expenses | (38,005) | (119,039) |
| Loss from operations | (2,929) | (22,010) |
| Interest income | 42 | 3,163 |
| Finance costs | (1,083) | (6,096) |
| Impairment loss on trade and other receivables | (112) | (2,018) |
| Impairment loss on inventories | (615) | (1,199) |
| Impairment loss on property, plant and equipment | – | (23,521) |
| Loss before tax from discontinued operations | (4,697) | (51,681) |
| Income tax expense | – | (55) |
| Loss from discontinued operations, net of tax | (4,697) | (51,736) |

<u>Cash flow statement disclosures</u>

The cash flows attributable to discontinued operations are as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | HK$'000 | HK$'000 |
| Operating | 8,785 | 17,226 |
| Investing | (1,128) | 2,680 |
| Financing | (18,685) | (18,966) |
| Net cash outflows | (11,028) | 940 |

## 10. Discontinued operations and disposal group classified as held for sale (cont'd)

(b) *Discontinued operations (cont'd)*

Loss per share disclosures

| | Group 2015 | Group 2014 |
|---|---|---|
| Loss per share from discontinued operations attributable to owners of the Company (HK cents per share) | | |
| Basic and diluted | (1.4) | (13.7) |

The basic and diluted loss per share from discontinued operations are calculated by dividing the loss from discontinued operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic loss per share and diluted earnings per share computation. These loss and share data are in the tables in Note 11(a).

## 11. Earnings/(Loss) per share

(a) *Continuing operations*

Basic earnings/(loss) per share from continuing operations are calculated by dividing profit/(loss) from continuing operations, net of tax, attributable to owners of the Company by the weighted average of the 352,000,000 (FY2014: 352,000,000) ordinary shares outstanding during the financial year.

The basic and diluted earnings/(loss) per share of the Group are the same as there were no potential dilutive ordinary shares outstanding as at 31 March 2015 and 2014.

The following tables reflect the profit/(loss) and share data used in the computation of basic and diluted loss per share for the financial years ended 31 March:

| | Group 2015 HK$'000 | Group 2014 HK$'000 |
|---|---|---|
| Profit/(Loss) for the year attributable to owners of the Company | 24,423 | (73,093) |
| Add back: Loss from discontinued operations, net of tax, attributable to owners of the Company | 4,888 | 48,177 |
| Profit/(Loss) from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic and diluted loss per share from continuing operations | 29,311 | (24,916) |

(b) *Earnings/(Loss) per share computation*

The basic and diluted earnings/(loss) per share are calculated by dividing the profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic and diluted earnings/(loss) per share computation. These profit/(loss) and share data are presented in Note 11(a) above.

## 12. Investment in subsidiaries

| | Company | |
|---|---|---|
| | 2015 | 2014 |
| | HK$'000 | HK$'000 |
| Shares, at cost | 84,027 | 121,354 |
| Impairment losses | (35,163) | (55,198) |
| | 48,864 | 66,156 |

(a) *Composition of the Group*

| Name | Country of incorporation | Principal activities | Proportion (%) of ownership 2015 % | Proportion (%) of ownership 2014 % |
|---|---|---|---|---|
| ***Held by the Company:*** | | | | |
| Kunda Industrial Limited[(1)] | British Virgin Islands | Provision of technical services | 100% | 100% |
| Yick Kwan Tat Enterprise Company Limited.[(2)] | Hong Kong | Supply of raw materials, machinery and provision of management services for the purposes of manufacture and sale of plastic injection parts and sale of IMD products | 100% | 100% |
| Kunda Mould (International) Company Limited.[(2)] | Hong Kong | Sale of moulds and IMD products | – | 100% |
| ***Held through Kunda Mould (International) Company Limited:*** | | | | |
| Kunda Mould (Shenzhen) Company Limited.[(3)] | People's Republic of China | Manufacture and sale of moulds and IMD products | – | 100% |
| ***Held through Yick Kwan Tat Enterprise Company Limited:*** | | | | |
| Kunda Plastic Electronics (Shenzhen) Company Limited.[(3)] | People's Republic of China | Manufacture and sale of moulds and IMD products | 100% | 100% |
| ***Held through Kunda Plastic Electronics (Shenzhen) Company Limited:*** | | | | |
| Beijing Baiju Automobile Component Company Limited.[(4)] | People's Republic of China | Production and supply of plastic automobile components | 57% | 57% |

## 12. Investment in subsidiaries (cont'd)

| Name | Country of incorporation | Principal activities | Proportion (%) of ownership 2015 % | 2014 % |
|---|---|---|---|---|
| ***Held through Kunda Mould (Shenzhen) Company Limited:*** | | | | |
| Changchun Kunda-Guoan Automobile Plastic Mould Company Limited.(5) | People's Republic of China | Research and development and repair of automobile plastic injection moulds and the research and development and sale of automobile components | – | 60% |
| Changchun FAW-Sihuan Lida Pressed Component Company Limited.(6) | People's Republic of China | Production and sale of stamped metal automobile components | – | 54% |

(1) Not required to be audited under the laws of the country of incorporation.

(2) Audited by Kevin Law & Co. Certified Public Accountants (Practising).

(3) Audited by Zhong Lian Certified Public Accountants (中联会计师事务所).

(4) Audited by Guo Fu Hao Hua Certified Public Accountants (国富浩华会计师事务所).

(5) Audited by Zhong Peng Certified Public Accountants (中鹏会计师事务所).

(6) Audited by Jilin Guangda Certified Public Accountants (吉林光大会计师事务所).

*Impairment testing of investment in subsidiaries*

During the financial year ended 31 March 2014, management performed an impairment test for the investments in Kunda Mould (Shenzhen) Company Limited and Beijing Baiju Automobile Component Company Limited as these subsidiaries had been persistently making losses. An impairment loss of HK$37,498,000 was recognised for the financial year ended 31 March 2014 to write down these subsidiaries to its recoverable amount. The recoverable amounts of the investment in these subsidiaries have been determined based on a value in use calculation using cash flow projections approved by management covering a ten-year period. The pre-tax discount rates applied to the cash flow projections used are 13% and 15% for Mould segment and automobile component segment respectively. The forecasted growth rates used to extrapolate cash flow projections beyond the ten year period are 2% for automobile component segment.

## 12. Investment in subsidiaries (cont'd)

(b) *Interest in subsidiaries with material non-controlling interest (NCI)*

The Group has the following subsidiary that has NCI that are material to the Group.

| Name of subsidiary | Principal place of business | Proportion of ownership interest held by non-controlling interest | Profit/(loss) allocated to NCI during the reporting period | Accumulated NCI at the end of reporting period |
|---|---|---|---|---|
| | | % | HK$'000 | HK$'000 |
| 31 March 2015: | | | | |
| Beijing Baiju Automobile Component Company Limited. | People's Republic of China | 43 | 4,702 | 25,279 |
| 31 March 2014: | People's Republic of China | | | |
| Beijing Baiju Automobile Component Company Limited. | People's Republic of China | 43 | (8,490) | 20,529 |

Significant restrictions:

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests are:

Cash and cash equivalents of HK$18,175,000 held in People's Republic of China are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends.

(c) *Summarised financial information about subsidiaries with material NCI*

Summarised financial information including consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

*Summarised balance sheets*

| | Beijing Baiju Automobile Component Company Limited. | |
|---|---|---|
| | 2015 | 2014 |
| | HK$'000 | HK$'000 |
| Current | | |
| Assets | 94,654 | 106,085 |
| Liabilities | (46,561) | (63,136) |
| Net current assets | 48,093 | 42,949 |

## 12. Investment in subsidiaries (cont'd)

(c) *Summarised financial information about subsidiaries with material NCI (cont'd)*

Summarised balance sheets

| | Beijing Baiju Automobile Component Company Limited. | |
|---|---|---|
| | **2015** | **2014** |
| | HK$'000 | HK$'000 |
| Non-current | | |
| Assets | 10,696 | 4,792 |
| Net assets | 58,789 | 47,741 |

Summarised financial information about subsidiary with material NCI

| | Beijing Baiju Automobile Component Company Limited. | |
|---|---|---|
| | **2015** | **2014** |
| | HK$'000 | HK$'000 |
| Revenue | 178,700 | 186,155 |
| Profit/(loss) before income tax | 10,936 | (19,141) |
| Income tax expense | (1) | (603) |
| Profit/(loss) after tax – continuing operations | 10,935 | (19,744) |
| Other comprehensive income | 111 | 255 |
| Total comprehensive income | 11,046 | (19,489) |

*Other summarised information*

| | Beijing Baiju Automobile Component Company Limited. | |
|---|---|---|
| | **2015** | **2014** |
| | HK$'000 | HK$'000 |
| Net cash flows from operations | 7,046 | 9,794 |
| Acquisition of significant property, plant and equipment | 10,503 | 1,678 |

(d) *Disposal of subsidiaries*

On 10 June 2014, the Group entered into a conditional sale and purchase agreement to dispose of three subsidiaries, Kunda Mould (International) Company Limited ("Kunda Mould International"), Kunda Mould (Shenzhen) Company Limited ("Kunda Mould Shenzhen") and Changchun FAW-Sihuan Lida Pressed Component Company Limited ("Changchun Lida") through the sale of all the shares in Kunda Mould International to the purchaser, at a consideration of HK$30,737,000. The consideration was fully settled in cash.

## 12. Investment in subsidiaries (cont'd)

(d) *Disposal of subsidiaries (cont'd)*

The value of assets and liabilities of Kunda Mould International, Kunda Mould Shenzhen, Changchun Lida and Changchun Kunda, recorded in the consolidated financial statements as at 31 July 2014, and the effects of the disposal are as follows:

| | 2015 |
|---|---|
| | HK$'000 |
| Property, plant and equipment* | 39,754 |
| Land use rights* | 24,354 |
| Trade and other receivables | 27,979 |
| Prepayments | 9,015 |
| Inventories | 33,091 |
| Cash and cash equivalents | 8,549 |
| | 142,742 |
| Trade and other payables | (62,350) |
| Other liabilities | (15,532) |
| Borrowings | (10,483) |
| Deferred government grants | (11,776) |
| Carrying value of net assets | 42,601 |
| Cash consideration | 30,737 |
| Less: Cash and cash equivalents of the subsidiaries | (8,549) |
| Less: Stamp duty and professional fee incurred for the disposal | (70) |
| Net cash inflow on disposal of the subsidiaries | 22,118 |

*Gain on disposal*

| | |
|---|---|
| Cash received | 30,737 |
| Net assets attributable to group derecognised | (16,626) |
| Stamp duty and professional fee incurred for the disposal | (70) |
| Gain on disposal of the net assets of the subsidiaries | 14,041 |
| Cumulative exchange gain in respect of the net assets of the subsidiaries reclassified from equity on loss of control of the subsidiaries | 7,176 |
| Total gains arisen from disposal of subsidiaries | 21,217 |

* Property, plant and equipment and land use rights of the subsidiaries disposed of during the financial year comprise the following as at 31 July 2014:

| | 2015 |
|---|---|
| | HK$'000 |
| Property, plant and equipment previously not classified under "Assets of disposal group classified as held for sale" | 22,972 |
| Property, plant and equipment previously classified under "Assets of disposal group classified as held for sale" | 16,782 |
| Total | 39,754 |

## 12. Investment in subsidiaries (cont'd)

(d) *Disposal of subsidiaries (cont'd)*

| | 2015 |
|---|---|
| | HK$'000 |
| Land use rights previously not classified under "Assets of disposal group classified as held for sale" | 5,928 |
| Land use rights previously classified under "Assets of disposal group classified as held for sale" | 18,426 |
| Total | 24,354 |

On 12 March 2014, the Group entered into a sale agreement to dispose of 60% of its interest in a subsidiary, Shenzhen Qunxinda, at a consideration of RMB 2,600,000 (approximately HK$3,297,000). The consideration was fully settled in cash. The disposal was completed on 31 March 2014, on which date control of Shenzhen Qunxinda passed to the acquirer.

The value of assets and liabilities of Shenzhen Qunxinda, recorded in the consolidated financial statements as at 31 March 2014, and the effects of the disposal are as follows:

| | 2014 |
|---|---|
| | HK$'000 |
| Property, plant and equipment | 714 |
| Trade and other receivables | 7,426 |
| Inventories | 2,695 |
| Cash and cash equivalents | 574 |
| | 11,409 |
| Trade and other payables | (3,636) |
| Other liabilities | (2,537) |
| Income tax payable | (84) |
| Carrying value of net assets | 5,152 |
| Cash consideration | 3,297 |
| Cash and cash equivalents of the subsidiary | (574) |
| Net cash inflow on disposal of the subsidiary | 2,723 |

*Gain on disposal*

| | |
|---|---|
| Cash received | 3,297 |
| Goodwill derecognised from disposal of subsidiary (Note 14) | (224) |
| Net assets attributable to group derecognised | (2,418) |
| Gain on disposal | 655 |

## 13. Property, plant and equipment

| Group | Buildings | Office equipment | Plant and machinery | Motor vehicles | Renovations | Assets under construction | Total |
|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Cost** | | | | | | | |
| At 1 April 2013 | 31,695 | 2,180 | 112,623 | 4,945 | 2,295 | 633 | 154,371 |
| Additions | – | 107 | 2,098 | – | 420 | 5,534 | 8,159 |
| Disposals | – | – | (2,585) | – | (1,512) | – | (4,097) |
| Transfers | – | 94 | 1,482 | – | 3,098 | (4,674) | – |
| Disposal of a subsidiary (Note 12) | – | (25) | (2,420) | (115) | (152) | – | (2,712) |
| Exchange differences | (28) | (3) | (43) | (2) | 18 | (89) | (147) |
| At 31 March 2014 and 1 April 2014 | 31,667 | 2,353 | 111,155 | 4,828 | 4,167 | 1,404 | 155,574 |
| Additions | – | 1,044 | 2,346 | 448 | 7,971 | 926 | 12,735 |
| Disposals | – | – | (3,664) | – | – | – | (3,664) |
| Disposal of subsidiaries (Note 12) | (31,859) | (1,985) | (54,762) | (4,081) | (1,615) | (2,341) | (96,643) |
| Exchange differences | 192 | 13 | 445 | 21 | 11 | 11 | 693 |
| At 31 March 2015 | – | 1,425 | 55,520 | 1,216 | 10,534 | – | 68,695 |
| **Accumulated depreciation and impairment loss** | | | | | | | |
| At 1 April 2013 | 7,175 | 1,465 | 71,229 | 3,774 | 2,170 | – | 85,813 |
| Depreciation charge for the year | 3,502 | 207 | 9,210 | 463 | 1,059 | – | 14,441 |
| Impairment loss | – | 674 | 33,901 | 356 | 1,314 | 1,426 | 37,671 |
| Disposals | – | – | (2,104) | – | (1,512) | – | (3,616) |
| Disposal of a subsidiary (Note 12) | – | (28) | (1,761) | (57) | (152) | – | (1,998) |
| Exchange differences | (62) | (15) | (676) | (12) | (13) | (22) | (800) |
| At 31 March 2014 and 1 April 2014 | 10,615 | 2,303 | 109,799 | 4,524 | 2,866 | 1,404 | 131,511 |
| Depreciation charge for the year | 1,154 | 147 | 290 | 99 | 1,287 | – | 2,977 |
| Disposals | – | – | (3,664) | – | – | – | (3,664) |
| Disposal of subsidiaries (Note 12) | (11,837) | (1,562) | (53,630) | (3,615) | (1,615) | (1,412) | (73,671) |
| Exchange differences | 68 | 12 | 439 | 19 | 12 | 8 | 558 |
| At 31 March 2015 | – | 900 | 53,234 | 1,027 | 2,550 | – | 57,711 |
| **Net carrying amount** | | | | | | | |
| At 31 March 2014 | 21,052 | 50 | 1,356 | 304 | 1,301 | – | 24,063 |
| At 31 March 2015 | – | 525 | 2,286 | 189 | 7,984 | – | 10,984 |

*Assets pledged as security*

As at 31 March 2015, there are no property, plant and equipment are mortgaged to secure the Group's borrowings. As at 31 March 2014, the Group's property, plant and machinery with a carrying amount of HK$2,927,000 were mortgaged to secure the Group's short-term bank loans (Note 23).

## 13. Property, plant and equipment (cont'd)

*Impairment of assets*

During the financial year ended 31 March 2014, two subsidiaries of the Group within the mould segment and automobile component segment, Kunda Mould (Shenzhen) Company Limited and Changchun Beijing Baiju Automobile Component Company Limited carried out a review of the recoverable amount of its plant and equipment because the companies had persistently been making losses. An impairment loss of HK$37,671,000, representing the write-down of these plant and equipment to the recoverable amount was recognised in "Other expenses" (Note 7) line item of profit or loss for the financial year ended 31 March 2014. The recoverable amount of the plant and equipment was based on its value in use and the pre-tax discount rates used were 13% and 15% for mould segment and automobile component segment respectively.

*Depreciation charges*

The depreciation charges as disclosed in Note 8, relate to the continued operations.

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | HK$'000 | HK$'000 |
| Depreciation charges from continued operations (Note 8) | 1,687 | 4,287 |
| Depreciation charges from discontinued operations | 1,290 | 10,154 |
| Total depreciation charges | 2,977 | 14,441 |

## 14. Intangible assets

| Group | Goodwill | Deferred development costs | Computer software | Total |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Cost** | | | | |
| At 1 April 2013 | 282 | 52,734 | 2,108 | 55,124 |
| Disposal of a subsidiary | (224) | – | – | (224) |
| Exchange differences | 3 | (45) | (2) | (44) |
| At 31 March 2014 and 1 April 2014 | 61 | 52,689 | 2,106 | 54,856 |
| Disposal of subsidiaries (Note 12) | (61) | (10,728) | (2,022) | (12,811) |
| Exchange differences | – | 168 | 12 | 180 |
| At 31 March 2015 | – | 42,129 | 96 | 42,225 |
| **Accumulated amortisation and impairment** | | | | |
| At 1 April 2013 | 61 | 52,734 | 1,612 | 54,407 |
| Amortisation | – | – | 69 | 69 |
| Impairment loss | – | – | 434 | 434 |
| Exchange differences | – | (45) | (9) | (54) |
| At 31 March 2014 and 1 April 2014 | 61 | 52,689 | 2,106 | 54,856 |
| Disposal of subsidiaries (Note 12) | (61) | (10,728) | (2,022) | (12,811) |
| Exchange differences | – | 168 | 12 | 180 |
| At 31 March 2015 | – | 42,129 | 96 | 42,225 |
| **Net carrying amount** | | | | |
| At 31 March 2014 | – | – | – | – |
| At 31 March 2015 | – | – | – | – |

## 14. Intangible assets (cont'd)

Deferred development costs

Deferred development costs relate to the development expenditure on moulds and IMD products.

All research costs and development costs not eligible for capitalisation have been expensed and are recognised in the "General and administrative expenses" line item in profit or loss.

Amortisation expense

The amortisation of deferred development costs and computer software is included in the "General and administrative expenses" line item in profit or loss.

Impairment loss recognised

During the financial year ended 31 March 2014, an impairment loss amounting to HK$434,000 was recognised to write-down the carrying amount of computer software as the likelihood of future benefits from the associated products were remote. The impairment loss is recognised in the "Other expenses" line item in the income statement.

## 15. Land use rights

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | HK$'000 | HK$'000 |
| **Cost:** | | |
| At 1 April | 11,692 | 11,703 |
| Disposal of subsidiaries (Note 12) | (11,763) | – |
| Exchange differences | 71 | (11) |
| At 31 March | – | 11,692 |
| **Accumulated amortisation:** | | |
| At 1 April | 5,228 | 3,516 |
| Amortisation for the year | 571 | 1,743 |
| Exchange differences | 36 | (31) |
| Disposal of subsidiaries (Note 12) | (5,835) | – |
| At 31 March | – | 5,228 |
| **Net carrying amount:** | | |
| At 31 March | – | 6,464 |
| Amount to be amortised: | | |
| - Not later than one year | – | 1,716 |
| - Later than one year but not later than five years | – | 4,748 |

As at 31 March 2014, the Group had land use rights over one plot of state-owned land in People's Republic of China (PRC) where the Group's manufacturing and storage facilities reside. The land use rights had a weighted average remaining tenure of 4 years.

*Assets pledged as security*

As at 31 March 2014, the Group's land use rights with a carrying amount of HK$6,464,000 were mortgaged to secure the Group's short-term bank loans (Note 23).

## 16. Inventories

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | HK$'000 | HK$'000 |
| **Balance sheet:** | | |
| Raw materials (at cost) | 4,071 | 5,561 |
| Work-in-progress (at cost) | 2,913 | 40,501 |
| Finished goods (at cost or net realizable value) | 19,698 | 13,962 |
| | 26,682 | 60,024 |
| **Income statement:** | | |
| Inventories recognised as an expense in cost of sales | 172,827 | 201,876 |
| (Reversal of impairment loss)/Impairment loss on inventories included in the "Other expenses" line item in profit or loss | (645) | 1,825 |

Reversal of impairment loss mainly relates to reversal of impairment loss on inventories from the Group's automobile component segment upon realization of costs in profit or loss after the shift of the Group's automobile component operation to new factory in Beijing.

## 17. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Trade receivables | 37,916 | 63,830 | – | – |
| Bills receivables | 853 | 1,937 | – | – |
| Deposits | 132 | 138 | – | – |
| VAT and other tax receivables | – | 1,530 | – | – |
| Other receivables | 5,247 | 21,568 | – | – |
| Total trade and other receivables | 44,148 | 89,003 | – | – |
| Add: Amounts due from related parties (Note 19) | – | – | 34,388 | 43,488 |
| Add: Cash and short-term deposits (Note 20) | 27,494 | 38,621 | 279 | 64 |
| Total loans and receivables | 71,642 | 127,624 | 34,667 | 43,552 |

Trade receivables

Trade receivables are non-interest bearing and are normally settled on 30 days to 120 days' term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currencies at 31 March are as follows:

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | HK$'000 | HK$'000 |
| United States Dollar | 643 | 538 |
| Euro | – | 464 |
| Renminbi | 37,206 | 62,694 |

## 17. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to HK$4,168,000 (2014: HK$18,570,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | HK$'000 | HK$'000 |
| Trade receivables past due but not impaired: | | |
| Lesser than 30 days | 2,962 | 2,795 |
| 30 to 60 days | 866 | 4,612 |
| 61-90 days | 260 | 1,919 |
| 91-120 days | 36 | 1,269 |
| More than 120 days | 44 | 2,103 |
| | 4,168 | 12,698 |

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | HK$'000 | HK$'000 |
| Trade receivables – nominal amount | 907 | 4,533 |
| Less: Allowance for impairment | (907) | (4,533) |
| | – | – |
| Movement in allowance accounts: | | |
| At 1 April | 4,533 | 5,246 |
| Charge for the year | 520 | 1,109 |
| Recovery of previously impaired trade receivables | – | (740) |
| Written off | – | (1,090) |
| Exchange differences | 16 | 8 |
| Disposal of subsidiaries | (4,162) | – |
| At 31 March | 907 | 4,533 |

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are long outstanding with no clear indication of future payment dates. These receivables are not secured by any collateral or credit enhancements.

Bills receivables

Bills receivables bear interest at market rates and are generally on 30 to 180 days' terms (2014: 30 to 180 days).

Other receivables

Other receivables are non-interest bearing, repayable on demand and are to be settled in cash.

## 17. Trade and other receivables (cont'd)

Trade receivables and bills receivables pledged as security

As at 31 March 2015, no trade receivables and bills receivables have been pledged as security.

As at 31 March 2014, the Group's trade receivables with a carrying amount of HK$10,472,000 and bills receivables with a carrying amount of HK$1,922,000 were pledged as security for the Group's short-term bank loans (Note 23).

## 18. Prepayments

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Current:** | | | | |
| Advances to suppliers | 16,261 | 5,124 | – | – |
| Prepaid operating expenses | 6,300 | 9,345 | 222 | 149 |
| | 22,561 | 14,469 | 222 | 149 |
| **Non-current:** | | | | |
| Prepayment for purchase of property, plant and equipment | 1,214 | 4,792 | – | – |

## 19. Amounts due from/ to related parties

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| *Amounts due from related parties* | | | | |
| Subsidiaries, non-trade [1] | – | – | 34,388 | 43,488 |
| | – | – | 34,388 | 43,488 |
| *Amounts due to related parties* | | | | |
| Director-related company, trade [2] | 449 | 482 | – | – |
| Director, non-trade [3] | 440 | 442 | – | – |
| Subsidiary, non-trade [4] | – | – | – | 1,072 |
| | 889 | 924 | – | 1,072 |

(1) The amounts due from subsidiaries are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

(2) The amount due to a director-related company, Shenzhen Precision, is unsecured, non-interest bearing and repayable on demand.

(3) The amount due to a director is unsecured, non-interest bearing and repayable on demand.

(4) The amount due to a subsidiary is unsecured, non-interest bearing and repayable on demand.

## 20. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Cash at banks and on hand | 27,494 | 38,621 | 279 | 64 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. The weighted average effective interest rate as at 31 March 2015 for the Group was 0.3% (2014: 0.4%).

Cash and bank balances denominated in foreign currencies at 31 March are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Renminbi | 26,144 | 37,765 | – | – |
| Singapore Dollar | 279 | 64 | 279 | 64 |
| United States Dollar | – | 9 | – | – |

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | HK$'000 | HK$'000 |
| Cash and bank balances: | | |
| - Continuing operations | 27,494 | 38,621 |
| - Discontinued operations (Note 10) | – | 66 |
| Cash and cash equivalents | 27,494 | 38,687 |

## 21. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Trade payables | 44,129 | 97,029 | – | – |
| Payable to suppliers of property, plant and equipment | 374 | 115 | – | – |
| Loan from previous shareholder of a subsidiary | – | 107 | – | – |
| Loan from non-controlling interests | – | 3,095 | – | – |
| Other payables | 4,761 | 12,196 | – | – |
| Total trade and other payables | 49,264 | 112,542 | – | – |
| Add: Amount due to related parties (Note 19) | 889 | 924 | – | 1,072 |
| Add: Other liabilities (excluding advances from customers) (Note 22) | 8,893 | 15,803 | 1,774 | 2,839 |
| Add: Loans and borrowings (Note 23) | – | 29,136 | – | – |
| Total financial liabilities carried at amortised cost | 59,046 | 158,405 | 1,774 | 3,911 |

Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 120 day terms.

Trade payables denominated in foreign currencies as at 31 March are as follows:

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | HK$'000 | HK$'000 |
| Renminbi | 44,129 | 97,029 |

Loan from previous shareholder of a subsidiary, loan from non-controlling interests and other payables

These amounts are unsecured, non-interest bearing and repayable on demand.

## 22. Other liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Accrued operating expenses | 7,929 | 15,803 | 1,774 | 2,839 |
| Advances from customers | 1,766 | 18,536 | – | – |
| VAT and other tax payables | 964 | – | – | – |
| | 10,659 | 34,339 | 1,774 | 2,839 |

## 23. Loans and borrowings

| | Group 2015 HK$'000 | Group 2014 HK$'000 |
|---|---|---|
| **Current:** | | |
| Short-term bank loans: | | |
| - RMB loan at fixed rate of 6.72% p.a. | – | 1,684 |
| - RMB loans at floating rate of 7.6% p.a. | – | 18,717 |
| - RMB loans at floating rate of 7.995% p.a. | – | 8,735 |
| Total loans and borrowings | – | 29,136 |

6.72% p.a. fixed rate RMB loan

This loan was secured by a pledge on the Group's certain bills receivables (Note 17) and was repayable within 2 month after the reporting date.

RMB loan at float rate of 7.6% p.a.

These loans were secured by a pledge on the Group's certain property, plant and machinery (Note 13) and certain trade receivables (Note17), a personal guarantee from a director and corporate guarantee by a director-related company, and were repayable within 4 months after the reporting date.

RMB loan at float rate of 7.995% p.a.

These loans were secured by a pledge on the Group's certain property, plant and machinery (Note 13) and certain land use rights (Note 15) and were repayable within 12 months after the reporting date.

## 24. Deferred government grants

| | Group 2015 HK$'000 | Group 2014 HK$'000 |
|---|---|---|
| **Cost:** | | |
| At 1 April | 13,980 | 6,927 |
| Received during the financial year | 595 | 7,171 |
| Disposal of subsidiaries (Note 12) | (12,779) | – |
| Exchange differences | 80 | (118) |
| At 31 March | 1,876 | 13,980 |
| **Accumulated amortisation:** | | |
| At 1 April | 997 | 999 |
| Disposal of subsidiaries (Note 12) | (1,003) | – |
| Exchange differences | 6 | (2) |
| At 31 March | – | 997 |
| **Net carrying amount:** | | |
| Current | 1,876 | 6,370 |
| Non-current | – | 6,613 |
| | 1,876 | 12,983 |

As at 31 March 2015 and 2014, deferred capital grants mainly relate to government grants received for the development of certain projects undertaken by the Group's subsidiary in People's Republic of China to promote technology advancement. The conditions attached to these grants had not been fulfilled.

## 25. Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | No. of shares | | No. of shares | |
| | '000 | HK$'000 | '000 | HK$'000 |
| **Issued and fully paid ordinary shares** | | | | |
| At 1 April and at 31 March | 352,000 | 145,057 | 352,000 | 145,057 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

## 26. Other reserves

(a) *Restructuring reserve*

This represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares and capital reserve of subsidiaries acquired which is accounted for under "merger accounting".

(b) *Statutory reserve*

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the People's Republic of China ("PRC"), the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the reserve fund reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders. The subsidiaries in the People's Republic of China continued to be in an accumulated losses position, accordingly, no appropriation has been made to the SFR for the financial year ended 31 March 2015.

(c) *Foreign currency translation reserve*

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

## 27. Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

(1) *In-Mould Decoration ("IMD") and Plastic injection parts*

The IMD and plastic injection parts segment provides specialised plastic injection parts and technical services used mainly in the production of electrical appliances and electronic devices.

IMD is the simultaneous injection moulding of a product with a formable plastic firm. The formed film is inserted into the mould and then injected with the molten plastic resin to surround it, forming a finished integral part.

(2) *Automobile component parts*

The automobile components segment provides plastic and metal component parts used in the manufacture of automobiles.

## 27. Segment Information (cont'd)

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated by the Executive Chairman and Chief Executive Officer solely based on gross profit or loss. Certain expenses, other income, financial income/expense and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

| | Mould | IMD and Plastic injection parts | Automobile component parts | Adjustments | Note | Total |
|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | | HK$'000 |
| **2015** | | | | | | |
| **Revenue** | | | | | | |
| Sales to external customers | 26,771 | 29,025 | 185,527 | (35,076) | A | 206,247 |
| **Segment results:** | | | | | | |
| Segment gross profit | 6,140 | 3,101 | 29,929 | (6,661) | A | 32,509 |
| Depreciation of property, plant and equipment | (136) | (672) | (2,169) | 1,290 | A | (1,687) |
| Amortisation of land use rights | – | – | (574) | 574 | A | – |
| Impairment loss on doubtful trade and other receivables | (112) | (375) | (33) | 112 | A | (408) |
| Impairment loss on inventories | (560) | (156) | 746 | 615 | A | 645 |
| Gain on disposal of property, plant and equipment | – | 562 | – | – | A | 562 |
| Research expenses | (1,190) | (660) | – | 1,190 | A | (660) |
| Unallocated expenses, net | | | | | C | (2,196) |
| Profit before tax | | | | | | 28,765 |

## 27. Segment Information (cont'd)

| | Mould | IMD and Plastic injection parts | Automobile component parts | Others | Adjustments | Note | Total |
|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | | HK$'000 |
| **2014** | | | | | | | |
| **Revenue** | | | | | | | |
| Sales to external customers | 56,277 | 32,716 | 213,484 | 12,978 | (97,029) | B | 218,426 |
| **Segment results:** | | | | | | | |
| Segment gross profit | 8,273 | 1,485 | 18,538 | 1,881 | (14,210) | B | 15,967 |
| Depreciation of property, plant and equipment | (6,254) | (228) | (7,426) | (533) | 10,154 | B | (4,287) |
| Amortisation of intangible assets | (67) | – | (2) | – | 67 | B | (2) |
| Amortisation of land use rights | – | – | (1,743) | – | 1,743 | B | – |
| Impairment loss on intangible assets | (434) | – | – | – | 434 | B | – |
| Impairment loss on doubtful trade and other receivables | (1,248) | (920) | (681) | – | 2,017 | B | (832) |
| Impairment loss on inventories | (1,197) | (1,711) | (116) | – | 1,199 | B | (1,825) |
| Impairment loss on property, plant and equipment | (23,521) | – | (14,150) | – | 23,521 | B | (14,150) |
| Gain on disposal of property, plant and equipment | – | 426 | 90 | – | – | B | 516 |
| Research expenses | (4,461) | (2,250) | – | – | 4,461 | B | (2,250) |
| Unallocated expenses, net | | | | | | C | (25,940) |
| Loss before tax | | | | | | | (32,803) |

Note A - The amounts relating to the results of Mould segment, which have been excluded to arrive at amounts shown in profit or loss as the Group has fully disposed the operating entities in relation to the Mould segment during the year.

Note B - The amounts relating to the results of Changchun Kunda and Shenzhen Qunxinda has been excluded to arrive at amounts shown in profit or loss as they are presented separately in the statement of comprehensive income within one line item, "Loss from discontinued operations, net of tax."

Note C - The unallocated expenses comprises mainly of employee benefits and operating lease expenses under General and administrative expenses and employee benefits under Selling and distribution expenses.

| | 2015 | 2014 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Unallocated employee benefits under General and administrative expenses | (8,951) | (12,089) |
| Unallocated employee benefits under Selling and distribution expenses | (3,935) | (4,667) |
| Unallocated operating lease expenses under General and administrative expenses | (2,752) | (2,079) |
| Unallocated gain on disposal of subsidiaries under Other income | 14,041 | 655 |
| Unallocated net foreign exchange gain under Other income | 7,421 | 255 |
| Unallocated corporate expenses | (8,722) | (9,040) |
| Unallocated interest income | 702 | 1,025 |
| | (2,196) | (25,940) |

## 27. Segment Information (cont'd)

Geographical information

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

| | Asia except for PRC | PRC | North America | Europe | Discontinued operations | Total |
|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **2015** | | | | | | |
| Revenue | 466 | 221,400 | 3,147 | 11,404 | (30,170) | 206,247 |
| Non-current assets | – | 12,198 | – | – | – | 12,198 |
| **2014** | | | | | | |
| Revenue | 669 | 305,064 | 3,941 | 5,781 | (97,029) | 218,426 |
| Non-current assets | – | 70,314 | – | – | (34,995) | 35,319 |

Non-current assets information presented above consist of property, plant and equipment, land use rights and prepayments as presented in the consolidated balance sheet.

Information about major customers

Revenue from two major customers amounted to HK$174,153,000 (2014: three major customers amounted to HK$183,663,000) arising from sales by the automobile component parts segment.

## 28. Employee benefits

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | HK$'000 | HK$'000 |
| Employee benefits expense (including directors): | | |
| Salaries and bonuses | 20,687 | 27,317 |
| Directors' fees (Note 29(b)) | 810 | 1,263 |
| Contribution to defined contribution plans | 1,490 | 2,682 |
| Other personnel expenses | 1,275 | 791 |
| | 24,262 | 32,053 |

## 29. Related party transactions

(a) *Sale and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial year:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | HK$'000 | HK$'000 |
| Prepayment of rental to Shenzhen Precision [1] | – | 4,305 |
| Interests charged to Shenzhen Precision for trade receivables owing by Shenzhen Precision [1] | – | 2,923 |
| Rental of factory premises charged by Shenzhen Precision [1] | 1,434 | 4,861 |
| Interests accrued on the loan disbursed to Shenzhen Precision [1] | – | 196 |

(1) Shenzhen Precision refers to Shenzhen Kunda Precision Mould Co., Ltd., a company in which some directors of the Company have interests.

(b) *Compensation of key management personnel*

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | HK$'000 | HK$'000 |
| Salaries and bonuses | 2,064 | 3,308 |
| Directors' fees | 810 | 1,263 |
| Contribution to defined contribution plans | 98 | 187 |
| | 2,972 | 4,758 |
| Comprises amounts paid to: | | |
| Directors of the Company | 2,165 | 4,000 |
| Other key management personnel | 807 | 758 |
| | 2,972 | 4,758 |

## 30. Commitments

(a) ***Capital commitments***

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements is as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | HK$'000 | HK$'000 |
| Capital commitments in respect of property, plant and equipment | 5,794 | 4,709 |

## 30. Commitments (cont'd)

(b) ***Operating lease commitments***

In addition to the land use rights disclosed in Note 15, the Group has entered into commercial leases relating to the rental of factory and office premises. These leases have an average tenure of 196 months (2014: 129 months) with no contingent rent provision included in the contracts. In addition, one of the lease contracts for a factory premise includes a renewal option. Future minimum rental payable under non-cancellable operating leases (excluding land use rights) at the end of the reporting period are as follows:

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | HK$'000 | HK$'000 |
| Not later than one year | 6,141 | 6,844 |
| Later than one year but not later than five years | 24,564 | 24,503 |
| More than five years | 69,789 | 75,742 |
| | 100,494 | 107,089 |

The leases do not contain escalation clauses and restrictions on the Group's activities concerning dividends, additional debt or future leases.

Minimum lease payments recognised as an expense in the income statement for the financial year ended 31 March 2015 amounted to HK$ 6,831,000 (2014: HK$ 6,906,000).

## 31. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives for speculative purpose shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables and amounts due from related parties. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Excessive risk concentration

Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

## 31. Financial risk management objectives and policies (cont'd)

***Credit risk (cont'd)***

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each classof financial assets recognised in the balance sheets.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the product sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | HK$'000 | HK$'000 |
| **By products:** | | |
| Mould | – | 10,502 |
| IMD | 4,981 | 9,314 |
| Automobile components | 32,935 | 44,014 |
| | 37,916 | 63,830 |

As at 31 March 2015, approximately 83% (31 March 2014: 51%) of the Group's trade receivables relates to two major customers.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 (Trade and other receivables).

***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group and the Company actively manage its debt maturity profile, operating cash flows and availability of funding so as to ensure that all refinancing, repayment and funding needs are met.As part of the overall liquidity management, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

## 31. Financial risk management objectives and policies (cont'd)

### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | One year or less | Over one year | Total | One year or less | Over one year | Total |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Group** | | | | | | |
| **Financial assets:** | | | | | | |
| Trade and other receivables | 44,148 | – | 44,148 | 89,003 | – | 89,003 |
| Cash and short-term deposits | 27,494 | – | 27,494 | 38,621 | – | 38,621 |
| Total undiscounted financial assets | 71,642 | – | 71,642 | 127,624 | – | 127,624 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | 49,264 | – | 49,264 | 112,542 | – | 112,542 |
| Other liabilities (excluding advances from customers) | 8,893 | – | 8,893 | 15,803 | – | 15,803 |
| Amounts due to related parties | 889 | – | 889 | 924 | – | 924 |
| Loans and borrowings | – | – | – | 30,246 | – | 30,246 |
| Total undiscounted financial liabilities | 59,046 | – | 59,046 | 159,515 | – | 159,515 |
| Total net undiscounted financial assets/(liabilities) | 12,596 | – | 12,596 | (31,891) | – | (31,891) |

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | One year or less | Over one year | Total | One year or less | Over one year | Total |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Company** | | | | | | |
| **Financial assets:** | | | | | | |
| Amounts due from related parties | 34,388 | – | 34,388 | 43,488 | – | 43,488 |
| Cash and short-term deposits | 279 | – | 279 | 64 | – | 64 |
| Total undiscounted financial assets | 34,667 | – | 34,667 | 43,552 | – | 43,552 |
| **Financial liabilities** | | | | | | |
| Other liabilities | 1,774 | – | 1,774 | 2,839 | – | 2,839 |
| Amounts due to related parties | – | – | – | 1,072 | – | 1,072 |
| Total undiscounted financial liabilities | 1,774 | – | 1,774 | 3,911 | – | 3,911 |
| Total net undiscounted financial assets | 32,893 | – | 32,893 | 39,641 | – | 39,641 |

### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risks arises primarily from their floating rate short-term bank loan, amount due from related parties and cash at bank that earns interest income at floating interest rate.

Interest on financial instruments subject to floating interest rates is re-priced regularly. Interest on financial instruments at fixed rates is fixed until the maturity of the instrument.

## 31. Financial risk management objectives and policies (cont'd)

***Interest rate risk (cont'd)***

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 50 (2014:50) basis points higher/lower with all other variables held constant, the Group's profit/(loss) net of tax would have been approximately HK$97,000 (2014: HK$148,000) higher/lower, arising mainly as a result of higher/lower interest expense on floating rate short-term bank loans and higher/lower interest income from related party and floating rate deposits placed with the banks at the end of the reporting period.

***Foreign currency risk***

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily US Dollars (USD) and Euro (EUR). The foreign currencies in which these transactions are denominated are mainly US Dollars (USD) and Euro (EUR). Approximately 0.1% (2014: 0.5%) of the Group's sales is denominated in foreign currencies whilst almost 100% (2014: 100%) of costs is denominated in the respective functional currencies of the Group entities. The Group's trade receivables and trade payables balances at the end of the reporting period have similar exposures.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in Singapore Dollar.

The Group has not entered into any hedge transactions.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations in the People's Republic of China (PRC), Singapore (SG) and British Virgin Islands (BVI). The Group's net investments in PRC, SG and BVI are not hedged as the currency position in RMB is considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit/(loss) net of tax to a reasonably possible change in the USD, EUR, HKD and SGD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

| | | Group | |
|---|---|---|---|
| | | **2015** | **2014** |
| | | HK$'000 | HK$'000 |
| | | Profit net of tax | Loss net of tax |
| USD/ HKD | - strengthened 3% (2014: 3%) | – | +7 |
| | - weakened 3% (2014: 3%) | – | -7 |
| EUR/ HKD | - strengthened 3% (2014: 3%) | – | +12 |
| | - weakened 3% (2014: 3%) | – | -12 |
| HKD/ RMB | - strengthened 3% (2014: 3%) | +2 | +3 |
| | - weakened 3% (2014: 3%) | -2 | -3 |
| USD/ RMB | - strengthened 3% (2014: 3%) | +14 | +6 |
| | - weakened 3% (2014: 3%) | -14 | -6 |
| SGD/ RMB | - strengthened 3% (2014: 3%) | +7 | +2 |
| | - weakened 3% (2014: 3%) | -7 | -2 |

## 32. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 March 2015 and 2014.

As disclosed in Note 26(b), the Company's PRC subsidiaries are required by the relevant laws and regulations of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the subsidiaries for the financial years ended 31 March 2015 and 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables, other liabilities, amount due to related parties, loans and borrowings and financial liabilities, net of cash and bank balances attributable to discontinued operations, less cash and short-term deposits. Capital includes equity attributable to the owners of the Company less the abovementioned restricted statutory reserve fund.

| | | Group | |
|---|---|---|---|
| | Note | 2015 | 2014 |
| | | HK$'000 | HK$'000 |
| Trade payables and other payables | 21 | 49,264 | 112,542 |
| Other liabilities | 22 | 10,659 | 34,339 |
| Loans and borrowings | 23 | – | 29,136 |
| Amounts due to related parties | 19 | 889 | 924 |
| Less: Cash and bank balances | 20 | (27,494) | (38,621) |
| Financial liabilities, net of cash and bank balances attributable to discontinued operations | 10(a) | – | 19,484 |
| Net debt | | 33,318 | 157,804 |
| Equity attributable to the owners of the Company | | 44,761 | 34,843 |
| Less: Statutory reserve | | – | (2,928) |
| Total capital | | 44,761 | 31,915 |
| **Capital and net debt** | | 78,079 | 189,719 |
| **Gearing ratio** | | 43% | 83% |

## 33. Restatement of comparatives

To conform to current year's presentation, the Group has reclassified the results of Kunda Mould International, Kunda Mould Shenzhen and Changchun Lida previously disclosed under the following caption in profit or loss to "Loss from discontinued operations, net of tax":

- Revenue amounting to HK$83,731,000.
- Cost of sales amounting to HK$71,351,000.
- Interest income amounting to HK$3,208,000.
- Other income amounting to HK$993,000.
- Selling and distribution expenses amounting to HK$3,960,000.
- General and administrative expenses amounting to HK$30,791,000.
- Finance costs amounting to HK$4,933,000.
- Other expenses amounting to HK$26,618,000

As a result of the reclassification, the following accounts have been restated:

| | Group | |
|---|---|---|
| | 2014 | 2014 |
| | HK$'000 | HK$'000 |
| | (as restated) | (as previously stated) |
| Revenue | 218,426 | 302,157 |
| Cost of sales | (202,459) | (273,810) |
| Interest income | 1,025 | 4,233 |
| Other income | 1,883 | 2,876 |
| Selling and distribution expenses | (11,175) | (15,135) |
| General and administrative expenses | (23,760) | (54,551) |
| Finance costs | – | (4,933) |
| Other expenses | (16,743) | (43,361) |
| Loss from discontinued operations, net of tax | (51,736) | (2,015) |

As there is no impact on the balance sheets, no presentation of the final balance sheet as at 1 April 2013 is not required.

## 34. Events occurring after the reporting period

On 31 March 2015, the Company entered into a placement agreement in relation to the proposed placement of 57,800,000 new ordinary shares at an issue price of $0.0106. The placement had been completed on 11 May 2015. The net proceeds from the proposed placement will be utilised for expansion in the Group's business, involving either investment in new businesses or widening the Group's current business activities or product range.

## 35. Authorisation of financial statements

The financial statements for the financial year ended 31 March 2015 were authorised for issue in accordance with a resolution of the directors on 10 June 2015.

As at 10 June 2015

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 0 | 0.00 | 0 | 0.00 |
| 100 - 1,000 | 57 | 8.12 | 54,386 | 0.01 |
| 1,001 - 10,000 | 128 | 18.23 | 945,504 | 0.23 |
| 10,001 - 1,000,000 | 496 | 70.66 | 42,860,518 | 10.46 |
| 1,000,001 AND ABOVE | 21 | 2.99 | 365,939,592 | 89.30 |
| **TOTAL** | **702** | **100.00** | **409,800,000** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | CHINA HONGDA HOLDINGS LIMITED | 123,084,000 | 30.04 |
| 2 | PHILLIP SECURITIES PTE LTD | 60,990,292 | 14.88 |
| 3 | RHB SECURITIES SINGAPORE PTE. LTD. | 46,246,000 | 11.29 |
| 4 | OCBC SECURITIES PRIVATE LIMITED | 26,186,500 | 6.39 |
| 5 | GOOD MORAL TECHNOLOGY LIMITED | 19,200,000 | 4.69 |
| 6 | WONG SAN KHAI | 18,667,000 | 4.56 |
| 7 | DBS NOMINEES (PRIVATE) LIMITED | 14,762,000 | 3.60 |
| 8 | CHERRY EQUITY PARTNERS LIMITED | 13,023,000 | 3.18 |
| 9 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 11,940,000 | 2.91 |
| 10 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 9,322,900 | 2.27 |
| 11 | TEO AH BAN | 5,033,000 | 1.23 |
| 12 | RAFFLES NOMINEES (PTE) LIMITED | 3,695,000 | 0.90 |
| 13 | CIMB SECURITIES (SINGAPORE) PTE. LTD. | 2,443,600 | 0.60 |
| 14 | CHEN JING | 1,650,000 | 0.40 |
| 15 | UOB KAY HIAN PRIVATE LIMITED | 1,620,000 | 0.40 |
| 16 | LAW CHEE KHEONG | 1,500,000 | 0.37 |
| 17 | YEAP AI MAY | 1,480,000 | 0.36 |
| 18 | MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD | 1,394,300 | 0.34 |
| 19 | LIM CHIN TEE | 1,321,000 | 0.32 |
| 20 | LIM & TAN SECURITIES PTE LTD | 1,311,000 | 0.32 |
| | **TOTAL** | **364,869,592** | **89.05** |

# STATISTICS OF
# SHAREHOLDINGS

As at 10 June 2015

## SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 10 June 2015.

| | No. of Ordinary Shares | | | |
|---|---|---|---|---|
| **Name** | **Direct Interest** | **%** | **Indirect Interest** | **%** |
| China Hongda Holdings Limited | 123,084,000 | 30.04 | – | – |
| Cai Kaoqun[(1)] | – | – | 123,084,000 | 30.04 |

**Notes:**

(1) Mr Cai Kaoqun is deemed to be interested in the 123,084,000 shares beneficially held by China Hongda Holdings Limited by virtue of his shareholdings of 100% in China Hongda Holdings Limited.

## FREE FLOAT

As at 10 June 2015, approximately 65.00% of the issued ordinary shares of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting ("**AGM**") of **China Kunda Technology Holdings Ltd** (the "**Company**") will be held at SGX Centre 2, #17-01, 4 Shenton Way, Singapore 068807 on Friday, 24th day of July 2015 at 9.30 a.m. for the following purposes:-

## AS ORDINARY BUSINESS

1. To receive and, if approved, adopt the Audited Accounts for the financial year ended 31 March 2015 together with the Directors' Report and Auditors' Report thereon. **Resolution 1**

2. To approve the payment of Directors' Fees of S$136,667.00 for the financial year ended 31 March 2015 (2014: S$205,000.00). **Resolution 2**

3. To re-elect Mr Lim Yit Keong who is retiring under Article 107 of the Articles of Association, as Director of the Company. **Resolution 3**

4. To re-elect Mr Cai Kaobing who is retiring under Article 107 of the Articles of Association, as Director of the Company. **Resolution 4**

5. To re-elect Mr Ho Chew Thim who is retiring under Article 107 of the Articles of Association, as Director of the Company. **Resolution 5**

6. To re-appoint Ernst & Young LLP, as the Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

7. To transact any other ordinary business which may be properly transacted at an annual general meeting.

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution (with or without amendments) as Ordinary Resolution:-

**8. General mandate to allot and issue new shares in the capital of the Company**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Act**"), the Articles of Association of the Company and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Listing Manual**"), authority be and is hereby given to the Directors of the Company to:-

(A) (i) allot and issue shares in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements, or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(B) (notwithstanding the authority conferred by this Resolution may have been ceased to be in force)

(i) issue additional instruments as adjustments in accordance with the terms and conditions of the Instruments made or granted by the directors while this Resolution was in force; and

(ii) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force or such additional Instruments in (B)(i) above, provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total issued Shares (excluding treasury shares, if any) at the time of the passing of this Resolution (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the total issued Shares (excluding treasury shares, if any) (as calculated in accordance with sub-paragraph (2) below); and

(2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares, if any) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(aa) new Shares arising from the conversion or exercise of any Instruments or any convertible securities;

(bb) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and

(cc) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier. [See Explanatory Note (iii)] **Resolution 7**

BY ORDER OF THE BOARD

ONG WEI JIN
COMPANY SECRETARY

8 JULY 2015
SINGAPORE

**Explanatory Note:**

(i) If re-elected under Resolution 3, Mr Lim Yit Keong will remain as chairman of the Nominating Committee and Remuneration Committee of the Company, member of the Audit Committee, and will be considered an Independent Director of the Company.

(ii) If re-elected under Resolution 5, Mr Ho Chew Thim will remain as chairman of the Audit Committee, member of the Remuneration Committee and Nominating Committee, and will be considered an Independent Director of the Company.

(iii) The Ordinary Resolution 7 proposed in item 8 above, if passed, will empower the Directors of the Company to allot and issue shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments up to an aggregate number not exceeding fifty per cent (50%) of the issued share capital of the Company (of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed twenty per cent (20%) of the issued share capital of the Company) for the purposes as they consider would be in the interest of the Company. For determining the aggregate number of Shares that may be issued the total number of issued Shares excluding treasury shares, if any, shall be calculated based on the total number of issued Shares excluding treasury shares, if any, at the time of this ordinary resolution under item 8 above is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, share options or vesting of share awards outstanding or subsisting at the time this ordinary resolution under item 8 above is passed and any subsequent bonus issue, consolidation or subdivision of Shares. This authority will continue in force until the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting is required to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting.

**Notes:-**

(i) A member entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his stead.

(ii) A member of the Company, which is a corporation, is entitled to appoint its authorized representative or proxy to vote on its behalf. A proxy need not be a member of the Company

(iii) The instrument appointing a proxy must be deposited at the Company's registered office at SGX Centre 2, #17-01, 4 Shenton Way, Singapore 068807, at least 48 hours before the time of the AGM.

(iv) Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.

(v) PERSONAL DATA PRIVACY By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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**CHINA KUNDA TECHNOLOGY HOLDINGS LTD**
(Incorporated in the Republic of Singapore)
Company Registration No. 200712727W

**IMPORTANT**

1. For investors who have used their CPF monies to buy China Kunda Technology Holdings Ltd's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

## PROXY FORM

(Please see notes overleaf before completing this Form)

I/We ______________________________ (Name) NRIC/Passport No. ______________________

Of ______________________________________________________________ (Address)

being a member/members of the above-mentioned Company, hereby appoint:-

| Name | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

and/or (delete as appropriate)

| Name | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

or failing him/her/them, the Chairman of the Annual General Meeting of the Company (the "Meeting") as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Meeting to be held at SGX Centre 2, #17-01, 4 Shenton Way, Singapore 068807 on Friday, 24th day of July 2015 at 9.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed as the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

*(Please indicate your vote "For" or "Against" with a tick [ X ] within the box provided)*

| No. | Resolutions relating to: | For | Against |
|---|---|---|---|
| | **Ordinary Business** | | |
| 1. | Adoption of Audited Accounts, Directors' Report and Auditors' Report for financial year ended 31 March 2015 | | |
| 2. | Payment of Directors' Fees amounting to S$136,667.00 for financial year ended 31 March 2015 | | |
| 3. | Re-election of Mr Lim Yit Keong as a Director of the Company | | |
| 4. | Re-election of Mr Cai Kaobing as a Director of the Company | | |
| 5. | Re-election of Mr Ho Chew Thim as a Director of the Company | | |
| 6. | Re-appointment of Ernst & Young LLP as Auditors of the Company | | |
| | **Special Business** | | |
| 7. | Authority to Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 | | |

Dated this ____________ Day of ___________________ 2015

| Total Number of Shares in: | No. of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

______________________________________

*Signature(s) of Shareholder(s)*
*Or, Common Seal of Corporate Shareholder*

**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.

3. Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 percent of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.

4. A proxy need not be a member of the Company.

5. The instrument appointing a proxy or proxies together with the letter of power of attorney, if any, under which it is signed or a duly certified copy thereof, must be deposited at the registered office of the Company at SGX Centre 2, #17-01, 4 Shenton Way, Singapore 068807, not less than 48 hours before the time appointed for the Meeting.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such a person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

7. Please indicate with an “X” in the spaces provided whether you wish your vote(s) to be for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Meeting.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

9. In the case of a member whose shares are entered against his name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

# CORPORATE **INFORMATION**

## DIRECTORS

Cai Kaoqun
*Executive Chairman and CEO*

Yang Jinbiao
*Executive Director and COO*

Cai Kaobing
*Executive Director*

Hau Khee Wee
*Executive Director and CFO*

Ho Chew Thim
*Lead Independent Director*

Lim Yit Keong
*Independent Director*

Li Zhiqiang
*Independent Director*

## COMPANY SECRETARIES

Ong Wei Jin
Goh Pei Shan

## REGISTERED OFFICE

4 Shenton Way
SGX Centre 2, #17-01
Singapore 068807

## PRINCIPAL PLACE OF BUSINESS

广东省深圳市龙岗区宝龙一路
宝龙工业区
Bao Long Industrial Park
Bao Long Yi Road
Longgang District
Shenzhen City
Guangdong Province
PRC

## BANKERS

Overseas-Chinese Banking Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank
China Construction Bank
Bank of Beijing
Ping An Bank

## SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.(Member of Boardroom Limited)
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

## AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner in charge: Ang Chuen Beng (since financial year ended 31 March 2012)

China Kunda Technology Holdings Limited

Email: ir@chinakunda.com