

CIRCULAR DATED 11 JULY 2016

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of China Kunda Technology Holdings Limited (the “**Company**”) held through The Central Depository (Pte) Limited (the “**CDP**”), you need not forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your shares represented by physical share certificate(s), you should immediately forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

This Circular has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “**Sponsor**”), for compliance with the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this Circular.

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

The contact person for the Sponsor is Mr Thomas Lam, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

KUNDA[®]

CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200712727W)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED DIVERSIFICATION OF THE GROUP’S BUSINESS TO INCLUDE ELECTROLYSED WATER TREATMENT AND RELATED BUSINESS

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form	:	24 July 2016 at 10.30 a.m
Date and time of Extraordinary General Meeting	:	26 July 2016 at 10.30 a.m (or soon thereafter following the conclusion of the Annual General Meeting of the Company to be held at 9.30 a.m. on the same day and at the same place, or any adjournment thereof)
Venue of Extraordinary General Meeting	:	SGX Centre 2, #17-01, 4 Shenton Way, Singapore 068807

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DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires or otherwise stated:

“Act”	:	The Companies Act, Chapter 50, of Singapore, as amended or modified from time to time
“Board”	:	The board of Directors of the Company, as at the date of this Circular
“Catalist”	:	The Sponsor-supervised Catalist board of the SGX-ST
“Catalist Rules”	:	SGX-ST Listing Manual Section B: Rules of Catalist, as amended or modified from time to time
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 11 July 2016
“Company”	:	China Kunda Technology Holdings Limited
“Controlling Shareholder”	:	A person who:- a) holds directly or indirectly 15.0% or more of the nominal amount of voting shares in the Company (the SGX-ST may determine that a person who satisfies the above is not a Controlling Shareholder); or b) in fact exercises control over the Company
“Director”	:	A director of the Company, as at the date of this Circular
“EGM”	:	The extraordinary general meeting of the Company, to be convened for the purposes of considering and, if thought fit, passing with or without modifications, the Proposed Diversification set out in the Notice of EGM
“Existing Business”	:	Has the meaning as ascribed to it in Section 2.1 of this Circular
“FY”	:	Financial year ended or ending on 31 March
“Group”	:	The Company and its subsidiaries, collectively
“Hong Kong”	:	Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	:	27 June 2016, being the latest practicable date prior to the printing of this Circular
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Management”	:	The senior management of the Group, as at Latest Practicable Date
“Notice of EGM”	:	The notice of EGM which is as set out on pages 16 to 17 of this Circular
“Ordinary Resolution”	:	The ordinary resolution in relation to Proposed Diversification as set out in the Notice of EGM on page 16 of this Circular

DEFINITIONS

“PRC” or “China”	:	The People’s Republic of China
“Proposed Diversification”	:	The proposed diversification of the Existing Business to include the Water Business
“Securities Account”	:	Securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
“SFA”	:	Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time
“SGX-ST” or “Exchange”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	The registered holders of Shares in the Register of Members of the Company, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with those Shares
“Shares”	:	Ordinary shares in the capital of the Company
“Sponsor”	:	PrimePartners Corporate Finance Pte. Ltd.
“Water Business”	:	Has the meaning as ascribed to it in Section 2.2 of this Circular

Currencies, Units and Others

“S\$” and “cents”	:	Singapore dollars and cents, respectively, the lawful currency of the Republic of Singapore
“HK\$” and “HK cents”	:	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“RMB”	:	Renminbi, the lawful currency of PRC
“%” or “per cent.”	:	Per centum or percentage

The term “**associate**”, “**associated company**” and “**subsidiary**” shall have the meanings ascribed to them respectively in the Fourth Schedule of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 and the Act.

The terms “**Depositor**”, “**Depository**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The term “**subsidiary**” shall have the meaning ascribed to it in Section 5 of the Act.

Any reference to a time of day in this Circular shall be a reference to Singapore time, unless otherwise stated.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any term defined under the Act, the SFA, the Catalist Rules or such statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Act, the SFA, the Catalist Rules or such statutory modification thereof, as the case may be, unless otherwise provided.

DEFINITIONS

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any discrepancies in figures included in this Circular between the amounts and totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables in this Circular may not be an arithmetic aggregation of the figures that precede them.

Cautionary Note on Forward-Looking Statements

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “expect”, “anticipate”, “believe”, “estimate”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements. Further, the Company and the Sponsor disclaim any responsibility to update or revise any forward-looking statements for any reason, even if new information becomes available or other events occur in the future, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

LETTER TO SHAREHOLDERS

CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200712727W)

Board of Directors:

Cai Kaoqun (Executive Chairman and Chief Executive Officer)
Yang Jinbiao (Executive Director and Chief Operations Officer)
Cai Kaobing (Executive Director)
Ho Chew Thim (Lead Independent Non-Executive Director)
Lim Yit Keong (Independent Non-Executive Director)
Li Zhiqiang (Independent Non-Executive Director)

Registered Office:

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

11 July 2016

To: The Shareholders of China Kunda Technology Holdings Limited

Dear Sir/Madam,

THE PROPOSED DIVERSIFICATION OF THE GROUP'S BUSINESS TO INCLUDE ELECTROLYSED WATER TREATMENT AND RELATED BUSINESS

1. INTRODUCTION

1.1 Overview

The Directors are convening an Extraordinary General Meeting to be held on 26 July 2016 (“**EGM**”) to seek Shareholders’ approval for the diversification of the Existing Business into the Water Business (the “**Proposed Diversification**”).

1.2 Circular to Shareholders

The purpose of this Circular is to provide Shareholders with information relating to, and to seek Shareholders’ approval for the Proposed Diversification to be tabled at the EGM, the notice which is set out on pages 16 to 17 of this Circular. The Circular has been prepared solely for the purposes set out herein and may not be relied upon by any persons (other than Shareholders) nor for any other purposes.

2. THE PROPOSED DIVERSIFICATION

2.1 Existing Business of the Group

The Group is principally engaged in the manufacture of precision moulds, plastic injection parts and in-mould decoration (“**IMD**”) products to the electronics, electrical, automobile and specialised devices industries (the “**Existing Business**”).

LETTER TO SHAREHOLDERS

As at the Latest Practicable Date, the subsidiaries of the Company which are actively involved in the Existing Business and their principal activities are as follows:

Name	Country of incorporation and operation	Principal activities	Equity Interest (%)
<i>Held by the Company:</i>			
Kunda Industrial Limited	British Virgin Islands	Provision of technical services	100
Yick Kwan Tat Enterprise Company Limited.	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
<i>Held through Yick Kwan Tat Enterprise Company Limited:</i>			
Kunda Plastic Electronics (Shenzhen) Company Limited.	PRC	Manufacture and sale of moulds and IMD products	100
<i>Held through Kunda Plastic Electronics (Shenzhen) Company Limited:</i>			
Beijing Baiju Automobile Component Company Limited.	PRC	Production and supply of plastic automobile components	57

2.2 Information in relation to the Water Business

Subject to receiving Shareholder's approval at the EGM, the Group proposes to diversify into the business of treatment of water to produce electrolysed water products and other related activities, as and when the appropriate opportunities arise (the "**Water Business**"): -

- (a) to research, develop and design electrolysed water treatment systems and technologies;
- (b) to manufacture and produce electrolysed water products from water treatment systems and related treatment devices (the "**Products**"); and
- (c) to distribute and market the Products.

The Group also proposes, as part of the Water Business, to include the investment, acquisition, purchase, as and when the opportunities arises, any such assets, investments, interest or whatsoever that is in line to the Water Business. Any business activities as aforesaid (including those listed in (a) to (c) above) shall, upon obtaining approval from the Shareholders of the Proposed Diversification at the EGM, constitute part of the ordinary course of business of the Group.

2.3 Rationale

With the continuing uncertainties in the global economy which could result in a more volatile and unstable business environment, the Board has been actively seeking opportunities which would improve Shareholders' long term return.

LETTER TO SHAREHOLDERS

Overview of the water sector in PRC

China represents almost 21% of the world's population but possesses only 6% of the world's freshwater water reserves¹. Water scarcity in China is further aggravated by large extent of pollution which is largely contributed by the discharge of industrial toxic chemical waste².

Multiple industries, in particular the agriculture sector, which constitutes 61% of the total water usage in PRC³, feel the strain from the scarcity of clean water. Further, demand for clean water by the agriculture sector is expected to rise by 9.1% from 2015 to 420 billion m³ in 2030⁴. Water shortage is acute as annual water shortage nationwide exceeds 50 billion m³ in the PRC⁵.

Opportunities from the Water Business

With the continued economic expansion in the PRC, clean water scarcity would continue to pose as a significant problem with the increased rate of urbanisation from the growth of its cities. With the inclusion of environmental concerns and priorities under China's 13th Five-Year Plan⁶, the Board believes that business opportunities in the water treatment sector would be created.

Through the process of electrolysis, two water types are produced, namely electrolyzed reduced water ("**Alkaline Water**") and electrolyzed acidic water ("**Acidic Water**"). Alkaline Water can be used for drinking purposes, with further processing into mineralized drinking water to promote good health. Acidic Water has properties of a disinfecting and cleaning agent, with further processing into anti-microbial water, which can be modified for usages in disinfecting treatment, antimicrobial therapy, female health treatment, skin and hair care, wound treatment, agricultural treatment, food preparation, waste water treatment, pet's hygiene treatment etc.

The Board notes that the Products can be customised to suit a wide array of needs and applications of diverse industries for various purposes as they could be adopted in all industries that require the usage of the Products.

The Board assessed and believes that the abovementioned factors, coupled with growing public awareness and rising incomes in the PRC, would increase the demand of Alkaline Water and Acidic Water suitable for consumption as well as other diverse applications.

As such, the Board is of the opinion that the Proposed Diversification would:

- (a) diversify the Group's revenue stream;
- (b) reduce reliance in the Existing Business;
- (c) offer better prospects of profitability and support the long-term growth of the Group;
- (d) maximise Shareholders' long-term return; and
- (e) be in the best interest of the Group.

¹ <http://www.pwc.com/gx/en/industries/capital-projects-infrastructure/emerging-market-developments/construction-for-chinas-water-scarcity.html>

² <http://www.greenpeace.org/eastasia/campaigns/toxics/problems/water-pollution/>

³ <http://chinawaterrisk.org/big-picture/economy-runs-on-water/>

⁴ <http://chinawaterrisk.org/big-picture/china-water-crisis/>

⁵ <http://www.mwr.gov.cn/english/mainsubjects/201604/P020160406507020464665.pdf>

⁶ http://www.mwr.gov.cn/english/Medianews/201604/t20160422_740257.html

LETTER TO SHAREHOLDERS

2.4 Organisation of the Water Business

2.4.1 Proposed Structure

The Group intends to undertake the Water Business independently, in joint venture or other forms of collaboration with parties with the relevant expertise or resources, depending on the opportunities available. Such a decision will be made after assessment by the Board after taking into consideration of various factors which includes but not limited to the risks to the investment, funding commitment required, exclusivity of the technical expertise required, nature and scale of the projects. The Board would also seek the advice of reputable independent professionals as and when necessary.

The Management has been actively on the lookout for suitable opportunities and has identified a potential party with the technical expertise to produce technologically advanced electrolysed water products that had undergone credible and established trials and shown that the electrolysed water products has the relevant properties as stated above. As at Latest Practicable Date, the Group is still in the process of negotiations with the potential party and no binding agreement has been entered into. The Group would only proceed to signing such binding agreements after obtaining Shareholders' approval.

At the initial stage, the Group intends to commence the Water Business in the Guangdong province of PRC but does not intend to restrict the Water Business to any specific geographical markets.

2.4.2 Licenses and Approvals

The Water Business, in addition to being dependent on the type of products being produced, is regulated by various policies and regulations in PRC. In particular, the water treatment products are required to be certified by the Ministry of Health in China prior to the distributorship of the products.

Pursuant to 中华人民共和国食品安全法 (the “**Food Safety Law of the PRC**”) which is under the regulation of 国家食品药品监督管理总局 (the “**China Food and Drug Administration**”), companies which, produce new varieties of food additives or food-related products shall apply for 食品生产许可证 (SC) (the “**Food Additive Production License**”) from the 县级卫生行政部门 (the “**County-Level Administrative Department of Health**”) before production and distribution of such products⁷.

Pursuant to 消毒产品生产企业卫生许可规定 (the “**Regulations of Hygiene License for Manufacturer of Disinfection Products**”), companies engaged in the production or marketing of disinfection products shall apply for 卫生许可证 (the “**Hygiene License**”) from the 省级卫生行政部门 (the “**Provincial Administrative Department of Health**”) before production and distribution of such products.

In addition to the Food Additive Production License and Hygiene License, the Management will ensure that all required permits, licenses, registrations and approvals will be obtained prior to the commencement of any business operations in relation to the Water Business.

Depending on the type of Products to be produced, the Management will also ensure that the required permits, licenses, certifications and approvals would be obtained prior to operation and production.

⁷ <http://www.sda.gov.cn/WS01/CL0053/128320.html>

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2.4.3 Management of Water Business

The Management intends to engage the personnel with the relevant experience and expertise to manage the Water Business when deemed necessary, upon affirmative plans have been made. The Company would make the necessary announcements as and when appropriate. In the meantime, the Board and Management comprise of individuals with varied qualifications and experience who would provide the strategic vision and directive to the Water Business.

The Group will evaluate the manpower and expertise required for the Water Business and take necessary steps to hire suitable candidates as and when required to fulfil the demands of the Water Business.

The Group may foster partnerships with various third parties to enhance and facilitate the Water Business. Where necessary, work maybe outsourced to reputable third parties with expertise required for certain projects. In selecting its partners, the Management will take into account the following, but not limited to, the track record, creditability and financial standing of the parties concerned.

2.5 **Funding Requirements**

It is anticipated that the initial start-up of the Water Business would not require substantial capital investment and capital outlay and can be funded by internal resources. If the Water Business is successful, it may require further substantial capital investment and capital outlay. When required, the Group intends to fund the Water Business through a combination of internal resources, bank borrowings and/or other fund-raising activities arranged with financial institutions and/or individuals. As and when necessary and deemed appropriate, the Group may explore secondary fund raising exercises by tapping the capital markets.

2.6 **Risk Factors**

To the best of the Directors' knowledge and belief, all risk factors which are material in making an informed decision in relation to the Proposed Diversification have been set out below.

If any of the factors and/or uncertainties described below develops into actual events affecting the Water Business, this may have a material and adverse impact on the Water Business and consequently, the overall results of operations, financial condition and prospects of the Group could be similarly affected.

The risks declared below are not intended to be exhaustive. New risk factors may emerge from time to time and it is not possible for the management to predict all risk factors, nor can the Group assess the impact of all factors on the Water Business or the extent to which any factor or combination of factors may affect the Water Business.

There may be also other risks associated with the entry into the Water Business which are not presently known to the Group, or that the Group may currently deem immaterial and as such, have not been included in the discussion below.

The Water Business faces increasing competition in its key market

The rapid development and growth of the water treatment market in the PRC may lead to the Water Business facing increasing competition among the market participants in the water treatment market. The Water Business competes with both domestic and international companies with respect to factors such as precincts, facilities, technology and pricing. Intensified competition may result in increased costs for materials, overheads which may adversely affect the Water Business, operations, results of operations and financial position. As a result, there can be no assurance that the Target Group will be able to compete successfully in the future against its existing or potential competitors or that increased competition may not have an adverse effect on the Target Group's business, operations, results of operations and financial position.

LETTER TO SHAREHOLDERS

The Water Business may not be able to obtain all certificates, licenses or permits required to fulfil the regulatory requirements

The Target Group is required to have or undertake certain approvals certificates and/or permits from, and comply with certain procedures set by, various PRC government or regulatory authorities in connection with the construction and operation of the Water Business. There is no assurance that the required approvals can be obtained in a timely manner, which would adversely affect the operations and financials of the Group. Any non-compliance of the regulations or laws may potentially result in a breach which could potentially result in a suspension or termination of the Water Business and have an adverse impact on the operations and business of the Water Business.

The Group's may not have sufficient expertise to execute the Water Business

The Water Business is expected to rely on the technical competitive advantage of the water treatment expertise to manufacture the Products. In the event that the Group loses such expertise from an exclusive distributorship agreement, the operations from the Water Business would be adversely affected and the Group's financial performance will be materially and adversely affected as well.

The Group has no proven track record in the Water Business

The Group has no operating history in the Water Business. There is no assurance that the Water Business will be commercially successful and that the Group will be able to derive sufficient revenue to offset the initial costs of investment and operating costs arising from the Water Business. In the event the Group fails to manage its diversification strategy effectively and efficiently, its business and financial performance will be materially and adversely affected.

The Group is subject to changes in the political and economic conditions, business environment with respect to the Water Business

The performance of the Water Business is largely dependent on the political, economic situation of the economies that the Group undertakes the Water Business. There is no assurance that the economy would continue to grow. A slowdown in economy or changes to the governmental requirements and regulations may adversely affect the operations of the Water Business in the event if the Group is unable to comply to such changes and therefore may result in suspension or termination of the Water Business in those countries which would adversely affect the Group's operating margins and profitability.

The Group may not have adequate financing for its Water Business and may require additional funding for future growth

It is anticipated that the Water Business will require substantial capital investment and the Water Business may require a substantial amount of capital for operations and for future expansion. As the Group establishes and grows its Water Business, its operating capital requirements may increase. In the event funds generated from operations and internal funds have been exhausted, the Group may have to raise additional funds to meet financial requirements. These additional funds may be raised by secondary fund raising exercises such as placements or by way of borrowings.

In the event that new Shares are issued from equity fund raising exercises, Shareholders who did not participate in such exercises will suffer a dilution in investment. Further, if the Group fails to utilise the new equity to generate a commensurate increase in earnings, the Group's earnings per share will be diluted. Debt financing may, apart from increasing the interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters. These conditions may limit the flexibility of the Group in future corporate developments.

LETTER TO SHAREHOLDERS

The Group may be subjected to litigation or regulatory action as a result of real or perceived contamination or deterioration of the quality of the Products could result in reduced sales, product liability and damage to the Group's reputation.

In the event the Products are found to be contaminated or reported to be associated with any contamination incidents, the reputation, business, financial condition and results of operations of the Water Business could be materially and adversely affected.

The Group is unable to guarantee that the Products to be manufactured would always be free of contaminants or otherwise reported to be associated with any contamination incidents, or that we would not be subject to product liability claims. Furthermore, negative publicity on contamination or deterioration of quality in relation to our products and services could damage the Group's reputation and may have a material adverse effect, regardless whether these reports have any factual basis.

Moreover, if contamination or deterioration of the Products intended for retail purposes caused potential health problems or other damages for our consumers or clients, the Group could be subject to product liability claims for damages.

The Group may face cost pressures with the increases in costs of the components, parts and other supplies that we may use in the Products

Significant changes in the markets in which we purchase components, parts and other supplies for the production of the Products, particularly when significant increases in demand where there is not a corresponding increase in supply, inflation or other pricing increases. In the event that the increased in cost is not passed onto customers, the Group's net income and profitability, and financial performance maybe adversely affected.

The Water Business will be dependent on the recruitment and retention of qualified employees for its operations

As the Management currently does not have direct experience in the operations and technical expertise in the Water Business, the Group is dependent on the expertise and experience of the employees to be employed or parties that the Group would be collaborating with. The Water Business would be dependent on the Group's ability to identify, retain, and/or train qualified employees to grow a management team to oversee the Water Business. There is no assurance that the Group is able to identify such qualified employees and retain their continuous services. The operations of the Water Business would adversely be impacted if such qualified employees are not employed or retained, and hence affecting the financial performance of the Group.

The Group may be exposed to foreign exchange risk

The Company's reporting currency is in HK\$. The revenue and expenses generated from the Water Business are expected to be denominated in the currencies other than HK\$. Assets and liabilities which are expected to be recorded in the currencies other than HK\$ will be translated into HK\$ at the exchange rates in effect at the balance sheet date. All profit and loss accounts are translated using the average exchange rates for the period. Accordingly, the Company will have translation foreign exchange exposure. Any significant fluctuation of the foreign currencies against the Group's functional currency will have a material and adverse impact on the Group's financial performance.

The Group may be affected by force majeure and other events

Since the general macroeconomic conditions and business environment of PRC may affect the Water Business, diverse factors such as natural disasters, epidemics, pandemics or acts of terrorism and international disputes that affect the economic and business conditions of PRC and the livelihood of its people may disrupt the operation of the Water Business. The costs of funding, revenue, financial performance and business prospects of the Group may thereby be materially and adversely affected.

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2.7 Financial Impact of Proposed Diversification

As at Latest Practicable Date, the Group has no affirmative and binding plans in relation to the Water Business that is expected to materially impact the net profit, EPS or NTA of the Group.

The Company would make the necessary announcements as and when appropriate in the event that any developments would have any material impact on the Group's net profit, EPS or NTA.

2.8 Disclosure of Financial Results

The Water Business will be accounted for as a new business segment in the Group's presentation of the financial statements in line with the Singapore Financial Reporting Standards ("FRS"). The financial results of the Water Business together with the Existing Business will also be periodically announced pursuant to the requirements of Chapter 7 of the Catalist Rules.

3. APPLICATION OF CHAPTER 10 OF THE CATALIST RULES TO THE PROPOSED DIVERSIFICATION

As the Water Business is substantially different from the Existing Business, it is envisaged that the Proposed Diversification will change the existing risk profile of the Group. Accordingly, the EGM will be convened by the Company to seek Shareholders' approval for the Proposed Diversification.

Upon Shareholders' approval of the Proposed Diversification, any acquisition or disposal which is in, or in connection with, the Water Business, may be deemed to be in the Group's ordinary course of business and therefore not fall under the definition of a "transaction" under Chapter 10 of the Catalist Rules. Accordingly, the Group may, in its ordinary course of business, enter into transactions relating to the Water Business and which will not change the risk profile of the Group, in an efficient and timely manner without the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential transactions relating to the Water Business arise. This will reduce substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

Notwithstanding that Shareholders' approval of the Proposed Diversification has been obtained,

- a) Rule 1015 of the Catalist Rules will apply to acquisitions of assets (including options to acquire assets) whether or not in the Company's ordinary course of business (which will include the Proposed New Business) and which results in any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeding 100% or results in a change in control of the Company. Such acquisitions must therefore be, amongst others, made conditional upon approval by Shareholders at a general meeting; or
- b) Part III of Practice Note 10A of the Catalist Rules will apply to acquisitions or disposals of assets (including options to acquire or dispose assets) which will change the risk profile of the Company. Such transactions must therefore be, amongst others, made conditional upon approval by Shareholders at a general meeting.

Pursuant to Rule 1005 of the Catalist Rules, separate transactions completed within the last 12 months may also be aggregated and treated as if they were one transaction in determining whether a transaction falls into category (a), (b), (c) or (d) of Rule 1004 of the Catalist Rules.

The Company will be required to comply with any applicable and prevailing Catalist Rules as amended or modified from time to time.

LETTER TO SHAREHOLDERS

4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

4.1 Directors

As at the Latest Practicable Date, the direct and indirect interests of each of the Directors in the Shares of the Company are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Cai Kaoqun ⁽²⁾	–	–	123,084,000	30.04
Yang Jinbiao ⁽³⁾	–	–	19,200,000	4.68
Cai Kaobing ⁽³⁾	–	–	19,200,000	4.68
Li Zhiqiang	950,000	0.23	–	–
Lim Yit Keong	–	–	–	–
Ho Chew Thim	–	–	–	–

Notes:

- (1) Based on the total issued and fully paid-up ordinary share capital of 409,800,000 Shares as at the Latest Practicable Date.
- (2) Mr Cai Kaoqun is deemed interested in the 123,084,000 Shares held by China Hongda Holdings Limited, by virtue of his 100% shareholdings in China Hongda Holdings Limited.
- (3) Mr Yang Jinbiao and Mr Cai Kaobing are deemed interested in the 19,200,000 Shares through their holdings held by Good Moral Technology Limited.

4.2 Substantial Shareholders

As at the Latest Practicable Date, the direct and indirect interests of each of the Substantial Shareholders in the Shares of the Company are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
China Hongda Holdings Limited	123,084,000	30.04	–	–
Cai Kaoqun ⁽²⁾	–	–	123,084,000	30.04

Notes:

- (1) Based on the total issued and fully paid-up ordinary share capital of 409,800,000 Shares as at the Latest Practicable Date.
- (2) Mr Cai Kaoqun is deemed interested in the 123,084,000 Shares held by China Hongda Holdings Limited, by virtue of his 100% shareholdings in China Hongda Holdings Limited.

5. DIRECTORS' RECOMMENDATIONS

The Directors, having considered the rationale for the Proposed Diversification as set out in section 2.3 of this Circular, are of the opinion that the Proposed Diversification is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of the ordinary resolution (Resolution 1), as set out in the Notice of EGM.

LETTER TO SHAREHOLDERS

6. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 16 to 17 of this Circular, will be held at SGX Centre 2, #17-01, 4 Shenton Way Singapore 068807 on 26 July 2016 at 10.30 a.m. (or soon thereafter following the conclusion of the Annual General Meeting of the Company to be held at 9.30 a.m. on the same day and at the same place, or any adjournment thereof) for the purpose of considering and, if thought fit, passing (with or without any modification) the resolution set out in the Notice of EGM.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this Circular a proxy form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company at SGX Centre 2, #17-01, 4 Shenton Way, Singapore 068807, not less than forty-eight (48) hours before the time appointed for the EGM. The completion and return of the proxy form by a Shareholder will not preclude him/her from attending and voting in person at the EGM in place of his proxy if he/she so wishes.

A Depositor will not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his/her name appears on the Depository Register seventy-two (72) hours before the EGM.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and confirm after making all reasonable enquires that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Diversification, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources and/or reproduced in this Circular in its proper form and context.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's office at SGX Centre 2, #17-01, 4 Shenton Way, Singapore 068807 during normal business hours from the date of this Circular up to and including the time and date of the EGM.

- (a) the annual report of the Company for FY2015 and FY2016; and
- (b) the Constitution of the Company.

Yours faithfully

For and on behalf of the Board of Directors of
CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

Cai Kaoqun
Executive Chairman and Chief Executive Officer

NOTICE OF EXTRAORDINARY GENERAL MEETING

CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200712727W)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of China Kunda Technology Holdings Limited (the “**Company**”) will be held at SGX Centre 2, #17-01, 4 Shenton Way, Singapore 068807 on 26 July 2016 at 10.30 a.m. (or soon thereafter following the conclusion of the Annual General Meeting of the Company to be held at 9.30 a.m. on the same day and at the same place, or any adjournment thereof) for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution:

*All capitalised terms in this Notice which are not defined herein shall have the meanings ascribed to them in the circular to shareholders of the Company dated 11 July 2016 (the “**Circular**”).*

RESOLUTION 1 (ORDINARY RESOLUTION)

THE PROPOSED DIVERSIFICATION OF THE GROUP’S BUSINESS TO INCLUDE WATER TREATMENT AND RELATED BUSINESS

THAT:

- (a) approval be and is hereby given for the diversification by the Company and its subsidiaries of its core business to include treatment, production, manufacture, distribution of electrolysed water products that involve activities as set out section 2.2 of the Circular (the “**Water Business**”), and any other activities related to the Water Business;
- (b) the Company be and is hereby authorised to invest in, purchase or otherwise acquire or dispose of, from time to time any such assets, investments and interest that us in line with the Water Business on such terms and conditions as the Directors of the Company deem fit, and such acts or things as they deem desirable, necessary or expedient to give effect to any such investment, purchase, acquisition or disposal; and
- (c) the Directors of the Company and each of them be and are hereby authorised to enter into all such transactions, arrangements and agreements and approve, execute and deliver all documents and do all deeds and things as may be necessary, expedient, incidental or in the interests of the Company, as they or he may consider necessary, desirable, expedient or in the interest of the Company to give effect to the approvals given in this ordinary resolution or the transactions contemplated by the Proposed Diversification.

BY ORDER OF THE BOARD
CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

CAI KAOQUN

Executive Chairman and Chief Executive Officer
Singapore
11 July 2016

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1.
 - a. A member of the Company who is entitled to attend, speak and vote at the EGM and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company.
 - b. A member of the Company who is entitled to attend, speak and vote at the EGM and who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote in his stead. Where such member appoints more than one (1) proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
2. "Relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act (Chapter 50) of Singapore.
3. The instrument appointing a proxy must be under the hand of the appointer or his attorney duly authorised in writing. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf.
4. The instrument or form appointing a proxy, duly executed, must be deposited at the registered office of the Company at 4 Shenton Way, SGX Centre 2 #17-01, Singapore 068807, not less than forty-eight(48) hours before the time fixed for holding the AGM in order for the proxy to be entitled to attend, speak and vote at the EGM.
5. A Depositor's name must appear in the Depository Register maintained by The Central Depository (Pte) Limited at least seventy-two (72) hours before the time fixed for the holding of the EGM or any postponement or adjournment thereof, in order for the Depositor to attend and vote at the EGM.

PERSONAL DATA PRIVACY

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guideline (collectively, the "**Purposes**"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder 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) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

PROXY FORM

CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200712727W)

PROXY FORM

EXTRAORDINARY GENERAL MEETING

I/We _____ (Name), _____ (NRIC / Passport No.)

of _____ (Address),

being a member/members* of **China Kunda Technology Holdings Limited** (the "Company") hereby appoint:

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

and/or (delete as appropriate)

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

and/or the person(s) referred to above in accordance with Note 3 of this proxy form, or failing him/her/ them, the Chairman of the Extraordinary General Meeting ("EGM"), as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf at the EGM of the Company to be held at SGX Centre 2, #17-01, 4 Shenton Way Singapore 068807 on 26 July 2016 at 10.30 a.m. (or soon thereafter following the conclusion of the Annual General Meeting of the Company to be held at 9.30 a.m. on the same day and at the same place, or any adjournment thereof).

I/We* direct my/our* proxy/proxies* to vote for or against the resolution to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/her/their* discretion, as he/she/they* will on any other matters arising at the EGM.

The resolution put to the vote at the EGM shall be decided by the way of poll. Please indicate the number of votes as appropriate.

**Delete as appropriate.*

	Ordinary Resolution		
1.	To approve the proposed diversification of the business of the Group into the Water Business		

Dated this _____ day of _____ 2016.

Total Number of shares held in:	
(a) CDP Register	
(b) Register of Members	

Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF.



PROXY FORM

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 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. 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. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2.
 - a) A member of the Company who is entitled to attend, speak and vote at the EGM and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company.
 - b) A member of the Company who is entitled to attend, speak and vote at the EGM and who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer or attorney.

“Relevant intermediary” has the meaning ascribed to it in Section 181(6) of the Companies Act (Chapter 50) of Singapore.

3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 4 Shenton Way, SGX Centre 2 #17-01, Singapore 068807 not less than forty-eight (48) hours before the time fixed for the holding of the EGM.
4. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
5. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation that is a member may authorise by resolution of its directors or other governing body such 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.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company. A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to vote thereat unless his name appears on the Depository Register seventy-two (72) hours before the time appointed for the EGM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing proxy(ies) and/or representative(s), the shareholder accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 11 July 2016.