

**CIRCULAR DATED 10 JULY 2014**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant 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**”), you should forward this Circular, the Notice of Extraordinary General Meeting and the Proxy Form enclosed herewith immediately to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to such purchaser or transferee.

**The Company was placed on the watch-list of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 4 September 2013. Should the Company be unable to meet the requirements of Rule 1314 of the Listing Manual of the SGX-ST (the “Listing Manual”) by 3 September 2015, the SGX-ST may either remove the Company from its Official List, or suspend trading of the shares of the Company with a view to removing the Company from its Official List. Please refer to Section 2.7.5 of this Circular for further details on Rule 1314 of the Listing Manual. In the event that the SGX-ST exercises its power to remove the Company from its Official List at such time, any exit alternative offered by the Company may or may not be reasonable and shareholders of the Company may lose some or all of their investment in the Company.**

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

**KUNDA<sup>®</sup>**  
**CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED**  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 200712727W)

**CIRCULAR TO SHAREHOLDERS**

in relation to

1. **THE PROPOSED DISPOSAL OF THE INTEREST OF THE COMPANY IN THREE SUBSIDIARIES**
2. **THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE**

**IMPORTANT DATES AND TIMES:**

Last Date and Time for Lodgement of Proxy Form	:	23 July 2014 at 10 a.m.
Date and Time of Extraordinary General Meeting	:	25 July 2014 at 10 a.m. (or such time immediately following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 9 a.m. on the same day and at the same place)
Place of Extraordinary General Meeting	:	SGX Centre 2, #17-01, 4 Shenton Way, Singapore 068807

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions apply throughout this Circular:

“ACRA”	:	The Accounting and Corporate Regulatory Authority of Singapore
“AGM”	:	The annual general meeting of the Company
“Articles”	:	The articles of association of the Company
“Associate”	:	(a) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: <ul style="list-style-type: none"><li>(i) his immediate family;</li><li>(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and</li><li>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent. (30%) or more; and</li></ul> (b) in relation to a Substantial Shareholder or Controlling Shareholder (being a company) means any other company which is its Subsidiary or holding company or is a Subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent (30%) or more
“Associated Company”	:	A company in which at least twenty per cent. (20%) but not more than fifty per cent. (50%) of its shares are held by the Company or the Group
“Auditors”	:	Ernst & Young LLP
“BBA”	:	北京白菊汽车零部件有限公司 (Beijing Baiju Automobile Component Co., Ltd), an indirect 57% owned subsidiary of the Company held through KMS as at the Latest Practicable Date
“Benchmark Date ”	:	Has the meaning ascribed to it in Section 2.1.3 of this Circular
“Board of Directors” or “Board”	:	The board of Directors of the Company for the time being
“Business Day”	:	A day (other than a Saturday, Sunday and public holiday) on which commercial banks are generally open for business in Singapore
“CCL”	:	长春一汽四环力达冲压制品有限公司 (Changchun FAW-Sihuan Lida Pressed Component Co., Ltd.)
“CDP”	:	The Central Depository (Pte) Limited
“Changchun Restructuring”	:	Means the transactions contemplated under the sale and purchase agreement dated 10 October 2012 between KMS and 吉林省国安集团有限公司 (Jilin Guo’An Group Co., Ltd), pursuant to which, inter alia, KMS will increase the equity interest held by KMS in CCL from

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## DEFINITIONS

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		54% to 90% and will dispose of its 60% equity interest in 长春群达国安汽车塑胶模具有限公司 (Changchun Kunda-Guo'an Automobile Plastic Mould Co., Ltd) These transactions had been approved by the shareholders of the Company during an Extraordinary General Meeting held on 28 November 2012
“Circular”	:	This circular to Shareholders dated 10 July 2014
“CKG”	:	长春群达国安汽车塑胶模具有限公司 (Changchun Kunda-Guo'an Automobile Plastic Mould Co., Ltd)
“Company”	:	China Kunda Technology Holdings Limited
“Companies Act” or “Act”	:	Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
“Completion”	:	The completion of the Proposed Disposal
“Completion Date”	:	The date falling within 30 Business Days from the Benchmark Date or such later date as the Parties may agree in writing and subject to all the Conditions Precedent have been fulfilled or otherwise waived in writing
“Conditions Precedent”	:	The conditions precedent to Completion as set out in Section 2.1.4 of this Circular
“control”	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company
“Controlling Shareholder”	:	A person who:  (a) holds directly or indirectly fifteen per cent. (15%) or more of the total number of issued Shares (excluding treasury shares) unless the SGX-ST determines that such a person is not a controlling shareholder of the Company; or  (b) in fact exercises control over the Company
“Directors”	:	The directors of the Company for the time being
“EGM”	:	The extraordinary general meeting of the Company, notice of which is given on pages 50 to 52 of this Circular
“EPS”	:	Earnings per Share
“FY”	:	The financial year ended or ending 31 March
“Group”	:	The Company and its Subsidiaries
“IMD”	:	In-mould Decoration which is the simultaneous injection moulding of a product with a formable plastic firm. The formed file is inserted into the mould and then injected with the molten plastic resin to surround it, forming a finished integral part
“Inter-Company Balances”	:	Means all net amounts owing by the Sale Entities to the Group
“KMI”	:	Kunda Mould (International) Company Limited

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“KMS”	:	群达模具（深圳）有限公司 (Kunda Mould (Shenzhen) Co. Ltd.)
“KPE”	:	群达塑胶电子（深圳）有限公司 (Kunda Plastic Electronics (Shenzhen) Company Limited), a wholly-owned subsidiary of YKT
“Latest Practicable Date”	:	30 June 2014, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as may be amended or modified from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Management Accounts ”	:	means in relation to each Sale Entity, the (consolidated, if applicable) unaudited financial statements of the relevant Sale Entity (comprising a balance sheet and profit and loss statement) prepared with respect to that Sale Entity for the period up to the Benchmark Date, (unless otherwise agreed by the Parties) which can be independently reviewed and certified by auditors appointed by the Purchaser (unless otherwise agreed by the Parties)
“Notice of EGM”	:	The Notice of EGM as set out on pages 50 to 52 of this Circular
“NTA”	:	Net tangible assets
“Parties”	:	In relation to the Proposed Disposal, means collectively the Company and Purchaser, where “Party” shall mean either the Company or the Purchaser; and  In relation to the proposed renewal of the Share Buy Back Mandate, has the meaning ascribed to it in Section 3.10(iv) of this Circular
“PRC”	:	means the People’s Republic of China
“Property”	:	means the land and factory buildings located at No. 3458 Qingnian Road, Kuancheng District, Changchun City, Jilin Province, PRC, occupying an aggregate land area of approximately 29,272 sq. m. and an aggregate built-up area of approximately 18,666 sq. m
“Proposed Disposal”	:	The proposed sale of the interest of the Company in the entire share capital of KMI, KMS (which is wholly owned by KMI) and KMS’ effective 90% equity interest in CCL, on the basis that the Changchun Restructuring has been completed
“public”	:	Persons other than:  (a) Directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Company and its Subsidiaries; and  (b) Associates of the persons in paragraph (a) above
“Purchaser”	:	Yu Jiahong
“Resolution(s)”	:	The ordinary resolution(s) as set out in the Notice of EGM on pages 50 to 52 of this Circular

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“Sale Entities”	:	means collectively, KMI, KMS and CCL and “Sale Entity” shall mean any one of them
“Sale Agreement”	:	The conditional sale and purchase agreement dated 10 June 2014 and entered into between the Company and the Purchaser in relation to the Proposed Disposal
“Sale Shares”	:	The entire share capital in KMI
“Securities Account”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Buy Back”	:	A purchase of Shares by the Company pursuant to the Share Buy Back Mandate
“Share Buy Back Mandate”	:	The general mandate to authorise the Directors to exercise all powers of the Company to purchase or otherwise acquire, on behalf of the Company, its issued Shares on the terms of such mandate
“Shareholders”	:	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to the Shares, mean the persons named as Depositors in the Depository Register and whose Securities Accounts maintained with CDP are credited with Shares
“Shares”	:	Ordinary shares in the share capital of the Company
“SIC”	:	Securities Industry Council
“Subsidiary”	:	A company which is for the time being a subsidiary of the Company, as defined by Section 5 of the Companies Act
“Substantial Shareholder”	:	A person who holds directly or indirectly not less than five per cent. (5%) of the total number of issued Shares (excluding treasury shares)
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers
“Trade Mark”	:	means the trademarks owned by KMS
“Treasury Shares”	:	Issued Shares of the Company which was (or is treated to have been) purchased by the Company in circumstances which Section 76H of the Act applies and has since purchase been continuously held by the Company
“Valuer ”	:	深圳市银通联资产评估有限公司(Shenzhen Ying Tong Lian Asset Valuation Co., Ltd.)
“YKT”	:	Yick Kwan Tat Enterprise Company Limited, a wholly-owned subsidiary of the Company.
“HK\$” and “HK cents”	:	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“RMB”	:	Renminbi, the lawful currency of the People’s Republic of China

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- “S\$” and “cents” : Singapore dollars and cents, the lawful currency of Singapore
- “%” or “per cent.” : Percentage or per centum

Unless the context otherwise requires:

- (a) the terms “**depositor**”, “**depository register**” and “**depository agent**” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act and the terms “**subsidiary**”, “**related company**” and “**substantial shareholder**” shall have the meanings ascribed to them in Sections 5, 6 and 81 of the Companies Act respectively;
- (b) 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;
- (c) any reference in this Circular to any statute or enactment or the Listing Manual is a reference to that statute or enactment or the Listing Manual as for the time being amended or re-enacted. Any word defined under the Companies Act, the Listing Manual or the Code or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning ascribed to it under the Companies Act, the Listing Manual or the Code or such modification thereof, as the case may be, unless the context otherwise requires;
- (d) any reference to a time of a day in this Circular shall be a reference to Singapore time unless otherwise stated;
- (e) any discrepancies between the figures listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them;
- (f) the headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

### **Exchange Rates**

Unless otherwise stated, the average exchange rates and closing exchange rates between HK\$ and RMB, between HK\$ and S\$ and between RMB and S\$, as outlined in the table below, are extracted from published information by Pacific Exchange Rate Service. The average exchange rate for each year during that financial period is the average of the closing exchange rates on the last day of each month during the financial period.

<b><i>Average exchange rate for</i></b>	<b><i>HK\$/RMB</i></b>	<b><i>HK\$/S\$</i></b>	<b><i>RMB/S\$</i></b>
FY2012	1.2160	6.2043	5.1034
FY2013	1.2337	6.2429	5.0603
FY2014	1.2680	6.1630	4.8607
1 April 2014 to 30 June 2014	1.2442	6.1892	4.9746
<b><i>Closing exchange rate</i></b>	<b><i>HK\$/RMB</i></b>	<b><i>HK\$/S\$</i></b>	<b><i>RMB/S\$</i></b>
As at 31 March 2012	1.2325	6.1743	5.0095
As at 31 March 2013	1.2489	6.2569	5.0098
As at 31 March 2014	1.2478	6.1638	4.9398
As at 30 June 2014	1.2494	6.2171	4.9762

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## DEFINITIONS

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The above exchange rates have been presented solely for information only and should not be construed as a representation that the exchange rates set out above could have been, or could be, converted into the respective currencies, at any particular rates, the rates stated above, or at all.

**Note:**

The above exchange rates were obtained from Pacific Exchange Rate Service. Pacific Exchange Rate Service has not consented to the inclusion of exchange rates quoted above. While the Directors have taken reasonable action to ensure that such exchange rates are accurately extracted, reflected or reproduced in this Circular, the Directors and the Company have not conducted an independent review of these exchange rates and have not verified the accuracy of the exchange rates quoted above.



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## LETTER TO SHAREHOLDERS

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### CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

(Company Registration No. 200712727W)  
(Incorporated in the Republic of Singapore on 13 July 2007)

#### Directors

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 (Lead Independent Director)  
Lim Yit Keong (Independent Director)  
Li Zhiqiang (Independent Director)

#### Registered Office

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

10 July 2014

To: **The Shareholders of China Kunda Technology Holdings Limited**

Dear Sir/Madam

- (a) **THE PROPOSED DISPOSAL OF THE INTEREST OF THE COMPANY IN THREE SUBSIDIARIES**
- (b) **THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE**

#### 1. INTRODUCTION

- 1.1 The Directors are convening the EGM to seek Shareholders' approval for the Proposed Disposal and the proposed renewal of the Share Buy Back Mandate.
- 1.2 The purpose of this Circular is to provide the Shareholders with information relating to the aforesaid proposals to be tabled at the EGM and to seek the Shareholders' approval in relation thereto at the EGM. The Notice of the EGM is set out on pages 50 to 52 of this Circular.

#### 2. THE PROPOSED DISPOSAL

##### 2.1 Summary of the Proposed Disposal

###### 2.1.1 Background

On 10 June 2014, the Board announced (the "**Announcement**") that the Company had entered into the Sale Agreement with the Purchaser in relation to the sale of the Sale Entities to the Purchaser.

As the relative figures under Rule 1006 of the Listing Manual exceeds 20%, the Proposed Disposal constitutes a "Major Transaction" as defined under Chapter 10 of the Listing Manual and therefore will be subject to the approval of Shareholders of the Company.

###### 2.1.2 Information on the Sale Entities

- (a) KMI

KMI was incorporated in Hong Kong on 11 March 2004. It is a direct wholly owned subsidiary of the Company and is the holding company of all the other Sale Entities, namely KMS and CCL. As at the Latest Practicable Date, it has an issued and paid-up share capital of HK\$1,000,000 divided into 1,000,000 ordinary shares. KMI specialises in the sale of moulds and IMD products.

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## LETTER TO SHAREHOLDERS

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(b) KMS

KMS was established in the PRC on 15 August 2008 and is engaged in the production and sale of moulds. It is an indirect wholly owned subsidiary of the Company held through KMI. As at the Latest Practicable Date, it has a total issued and paid-up capital of US\$6,000,000.

As at the Latest Practicable Date, the Group through KMS has a 54% equity interest in CCL and a 57% interest in BBA. The Group is in the process of disposing its interest in CKG and will prior to Completion, transfer of all of its equity interest in BBA to the Company or to any of the Company's related companies at a nominal consideration.

(c) CCL

CCL was established in the PRC on 26 May 2008 and is engaged in the production and sale of stamped metal automobile components. The Company will, through KMS, increase its effective equity interest in CCL from 54% to 90% as part of the Changchun Restructuring. As part of the Proposed Disposal, the Company shall sell its effective 90% equity interest in CCL, assuming that the Changchun Restructuring has been completed. As at the Latest Practicable Date, CCL has a total issued and paid-up capital of RMB30,000,000. CCL is the owner of the Property.

### 2.1.3 Consideration

The aggregate consideration ("**Consideration**") for the sale and purchase of the Sale Shares shall be determined based on the following formula:

$$\text{Consideration} = \text{Net Book Value} - \text{Minority Interest} - \text{Final Inter-Company Balances} + \text{CCL Assets Value}$$

Where:

"**Net Book Value**" means the aggregate net book value of the Sale Entities as at the Benchmark Date based on the Management Accounts assuming that the Changchun Restructuring has been completed and excluding KMS' investment cost in BBA as BBA will be transferred from KMS to another existing subsidiary of the Group for a nominal consideration before Completion;

"**Minority Interest**" means the minority interest attributable to the Sale Entities as at the Benchmark Date;

"**Final Inter-Company Balances**" means the Inter-Company Balances as at the Benchmark Date; and

"**CCL Assets Value**" means HK\$11,240,000 which is the sum equivalent to 90% of the valuation premium of HK\$12,489,000 over the net book value of the Property of CCL as at 31 March 2014 as further described in Section 2.6.2 below, that is deemed to belong to the Group assuming completion of the Changchun Restructuring.

The entire sum of the Consideration shall be payable in cash by the Purchaser to the Company before Completion Date.

The Purchaser and the Company will mutually agree on a date ("**Benchmark Date**") for the purpose of determining and computing the Consideration after the Company has received all approvals required for the Proposed Disposal. Pursuant to the Sale Agreement, the Benchmark Date shall be a date falling within two months following the receipt of all approvals required by the Company to complete the Proposed Disposal.

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## LETTER TO SHAREHOLDERS

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The Consideration was mutually arrived at after arm's length negotiations between the Company and the Purchaser on a willing seller and willing buyer basis.

Subject to there having been Completion, the Proposed Disposal will take effect from the Benchmark Date and the risk and rewards associated with the Sale Shares shall as from the Benchmark Date pass to the Purchaser, notwithstanding that Completion shall take place subsequent to the Benchmark Date.

### 2.1.4 Conditions Precedents for the Proposed Disposal

The Proposed Disposal is conditional upon the satisfaction of the following Conditions Precedent:-

- (a) All approvals (if necessary) from any relevant authorities in Singapore, Hong Kong and the PRC for the transactions contemplated under the Sale Agreement, on terms acceptable to the Company, having been obtained by the Company and continuing to be in force (for avoidance of doubt, the Company will not be responsible for government approvals in connection with the disposal, equity interest transfer, appointment and removal of officers as contemplated under Changchun Restructuring);
- (b) the approval of the shareholders of the Company being obtained at an extraordinary general meeting of the Company (or any adjournment thereof) in respect of the transactions contemplated in the Sale Agreement;
- (c) all consents (if necessary) from any persons in connection with any agreements binding on the Group for the transactions contemplated under the Sale Agreement;
- (d) the transfer of all of KMS' equity interest in BBA to the Company or any of its related companies at a nominal consideration;
- (e) the Parties having duly executed a trade mark licence agreement ("**Trade Mark Licence Agreement**") in relation to the grant of an exclusive, royalty-free licence by KMS to the Group to use the Trade Mark for a minimum period of ten (10) years commencing from the date immediately after the Completion Date; and
- (f) there having been, as at the Completion, no occurrence of any event nor the discovery of any fact rendering untrue or incorrect in any respect any of the representations or warranties granted by the Purchaser under the Sale Agreement.

### 2.1.5 Long-Stop Date

Under the terms of the Sale Agreement, the "Long Stop Date" is defined to mean a date falling 9 months from the date of the Sale Agreement, or such later dates as the Parties may agree in writing. In the event that the above conditions is not fulfilled by the Long Stop Date (unless waived under the Sale Agreement), then save as expressly provided in the Sale Agreement, the Sale Agreement shall automatically terminate and neither Party shall have any claim of any nature whatsoever against the other Party under the Sale Agreement.

### 2.1.6 Completion

Completion of the Proposed Disposal will be on the date ("**Completion Date**") falling within 30 business days from the Benchmark Date and subject to all the conditions precedent set out in the Sale Agreement have been fulfilled or otherwise waived in writing.

# LETTER TO SHAREHOLDERS

## 2.2 Information on the Purchaser

The Purchaser is a Hong Kong businessman and is in the business of manufacturing automated gate systems in the PRC through his 90% owned company, 深圳市红门投资有限公司 (Shenzhen Hongmen Investment Co. Ltd) (“**Hongmen**”). Hongmen had been a former customer of the Group and the Group had, been supplying stamped metal parts and IMD and plastic injection components to Hongmen since January 2009 mainly through 深圳市群鑫达五金有限公司 (Shenzhen QunXinda Wu Jin Co. Ltd) (“**QXD**”), a former 60% owned subsidiary of the Group. Hongmen was not a major customer of the Group and accounted for 0.05%, 0.29% and 0.39% of the Group’ total revenue for each of FY2012, FY 2013 and FY2014. QXD was disposed by the Company in March 2014 and the Group had since ceased business transactions with Hongmen.

The Purchaser approached the Company when he found out that the Company was considering the Proposed Disposal. There is no introducer fee paid or payable by the Company to the Purchaser.

As at the Latest Practicable Date, the Purchaser holds 3,050,000 ordinary shares in the Company through a nominee account in a brokerage firm which is equivalent to 0.87% of the entire issued and paid-up share capital of the Company. As the Purchaser is neither a substantial nor controlling shareholder of the Company, the Proposed Disposal does not constitute an interested person transactions falling within Chapter 9 of the Listing Manual.

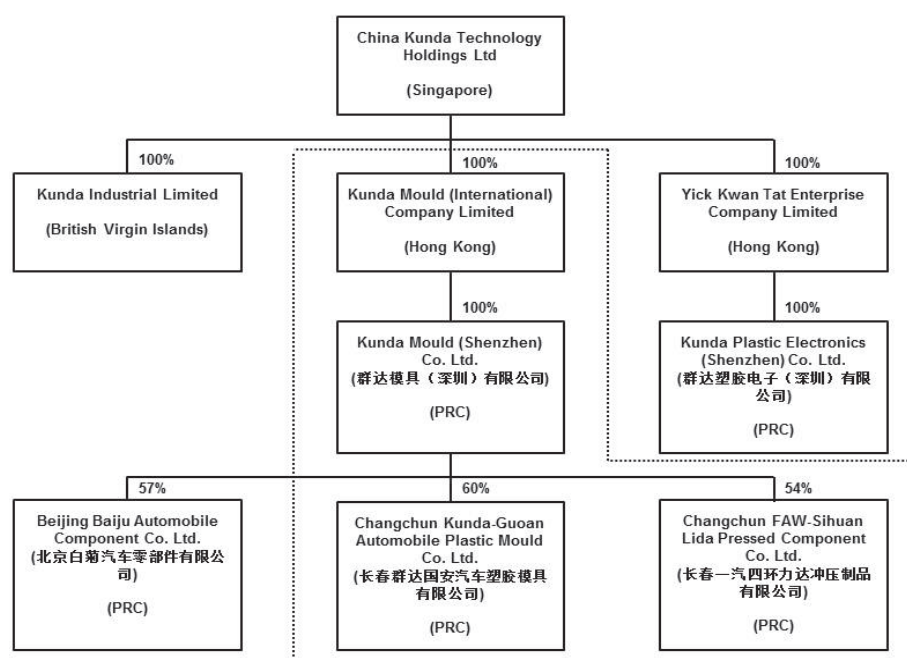
Save as disclosed above, the Purchaser does not have any relationship with the Company, its Directors or Substantial Shareholders.

## 2.3 Group Corporate Structure

### 2.3.1 Corporate Structure

#### Before the Proposed Disposal

As at the Latest Practicable Date, the corporate structure of the Group is set out below:



#### Note:

- (1) The dotted box above comprises the Sale Entities and CKG which is the process of being disposed pursuant to the Changchun Restructuring. The Parties have agreed in the Sale Agreement that, as at Benchmark Date, the Changchun Restructuring shall be deemed to have been completed and that the Company, through KMS, holds 90% of the equity interest in CCL and the Consideration is computed on the basis that the Changchun Restructuring had been fully completed. Upon Completion, the Purchaser shall assume all rights and obligations in relation to the uncompleted Changchun Restructuring and the Purchaser shall be responsible for the actual completion of the Changchun Restructuring.

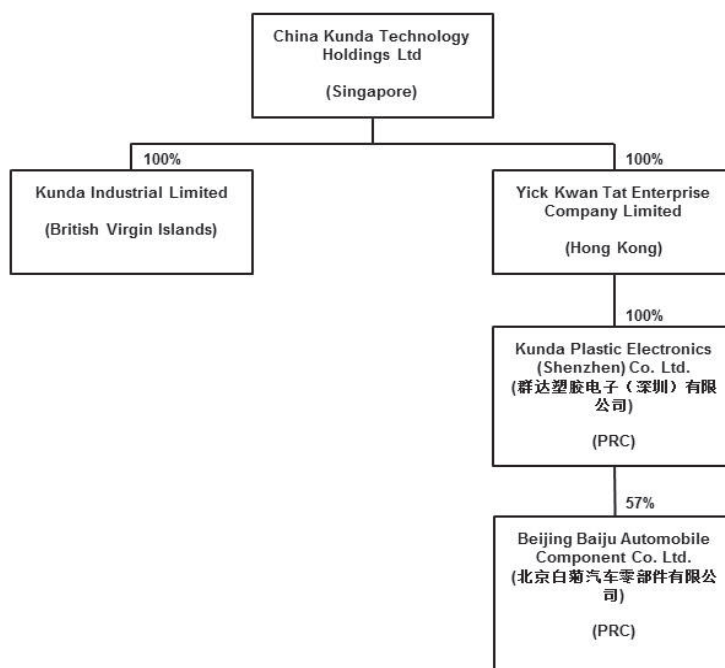
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## LETTER TO SHAREHOLDERS

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### After the Proposed Disposal

Immediately upon the completion of the Proposed Disposal, the corporate structure of the Group is set out below:



**Note:**

- (1) The Parties have agreed in the Sale Agreement that upon Completion, the Purchaser shall assume all rights and obligations in relation to the uncompleted Changchun Restructuring and the Purchaser shall be responsible for the actual completion of the Changchun Restructuring.

### **2.3.2 Transfer of BBA**

As part of the Proposed Disposal, KMS will transfer its 57% equity interests in BBA, to Kunda Plastic Electronics (Shenzhen) Company Limited, a wholly owned Subsidiary of the Group. The other shareholder in BBA is 北京白菊电器有限公司 (Beijing Baiju Electrical Appliance Co., Ltd) (“**JV Partner**”), which holds the remaining 43% of the issued share capital in BBA. BBA was founded by the Group and the JV Partner in April 2010 and specialises in the production of plastic automobile components. The JV Partner does not have any relationship with the Company, its Directors, or Substantial Shareholders.

## **2.4 Financial Information**

### **2.4.1 Financial Information relating to the Sale Entities and the Group**

The audited financial information of the consolidated Sale Entities and each of the Sale Entities extracted from the audited financial statement of the Group for FY2014 is set out in **Appendix A** of this Circular.

The proforma income statements and balance sheets of the Group before and after the Proposed Disposal as at 31 March 2014, is set out in **Appendix B** of this Circular.

## LETTER TO SHAREHOLDERS

The percentage contribution to the Group by the Sale Entities in respect of FY2012, FY2013 and FY2014 are set out in the table below:

	FY2012	FY2013	FY2014
<b>Revenue (HK\$'000)</b> <b>(S\$'000 approximate equivalent)</b>			
The Group	321,208 (S\$51,772)	303,579 (S\$48,628)	302,157 (S\$49,028)
The Sale Entities	167,784 (S\$27,043)	126,678 (S\$20,292)	95,190 (S\$15,445)
Percentage contribution of the Sale Entities	52.2%	41.7%	31.5%
<b>Net loss for the year (HK\$'000)</b> <b>(S\$'000 approximate equivalent)</b>			
The Group	48,436 (S\$7,807)	50,100 (S\$8,025)	85,142 (S\$13,815)
The Sale Entities	25,305 (S\$4,079)	27,680 (S\$4,434)	50,623 (S\$8,214)
Percentage contribution of the Sale Entities	52.2%	55.2%	59.5%
<b>Net assets/(liabilities) as at year end (HK\$'000)</b> <b>(S\$'000 approximate equivalent)</b>			
The Group	196,260 (S\$31,787)	152,040 (S\$24,300)	65,141 (S\$10,568)
The Sale Entities	43,568 (S\$7,056)	19,642 (S\$3,139)	(33,192) (S\$5,385)
Percentage contribution of the Sale Entities	22.2%	12.9%	Not meaningful

### 2.4.2 Basis for Presentation of the Effect of the Proposed Disposal

The proforma financial effects of the Proposed Disposal, based on the audited consolidated financial statements of the Group for FY2014, are set out below. The proforma financial effects are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Company after completion of the Proposed Disposal.

For the purpose of illustration, assuming that the Benchmark Date is 31 March 2014, and based on the formula set out in Section 2.1.3 for computation of the Consideration, the Consideration for the Proposed Disposal will be as follows:

$$\begin{aligned}
 \text{Consideration (HK\$'000)} &= \text{Net Book Value} - \text{Minority Interest} - \text{Final Inter-Company Balances} + \text{CCL Assets Value} \\
 &= (46,855) - 790 - (73,427) + 11,240 \\
 &= 37,022
 \end{aligned}$$

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### 2.4.3 Value of the Sale Entities

The net asset value of KMI, KMS and CCL as at 31 March 2014, as extracted from the audited financial statements of the Group, at the company level and before the passing of group consolidation entries were HK\$5,139,000, HK\$29,421,000 and HK\$6,909,000 respectively. Assuming that the Changchun Restructuring has been completed and based on the latest audited financial statements of the Group for FY2014, the consolidated net liability value represented by the Sale Shares was approximately HK\$46,855,000 (equivalent to approximately S\$7,602,000).

The aggregate net book value of the Sale Shares as at 31 March 2014 (after adjustment for Minority Interest and Final Inter-Company Balances) was approximately HK\$25,782,000 (equivalent to approximately S\$4,183,000).

As described in Section 2.6.2, based on the valuation report dated 6 March 2014, the Property was valued at approximately HK\$40,004,000 (equivalent to approximately S\$6,486,000) on an open market valuation basis.

As at 31 March 2014, the net book value of the Property was approximately HK\$27,515,000 and equivalent to approximately S\$4,464,000. Having regard to the Company's 90% equity interest in CCL on the basis that the Changchun Restructuring has been completed, 90% of the valuation premium of HK\$12,489,000 (equivalent to approximately S\$2,022,000) on the Property as at 31 March 2014 will be HK\$11,240,000 (equivalent to approximately S\$1,820,000).

### 2.4.4 Excess of the Consideration over the Book Value

On the assumption that the Benchmark Date is 31 March 2014 and the aggregate Consideration is HK\$37,022,000 (equivalent to approximately S\$6,006,000), the Consideration represents an excess of HK\$11,240,000 (equivalent to approximately S\$1,820,000) over the net book value of the Sale Shares as at 31 March 2014 (after adjustment for Minority Interest and Final Inter-Company Balances).

The actual excess or deficit of the proceeds over the net book value of the Sale Shares can only be finalised after the Completion.

### 2.4.5 Net Profits Attributable to the Sale Entities, and the Gain on the Proposed Disposal

Assuming that the Changchun Restructuring has been completed, the net loss of KMI, KMS and CCL at the company level and before the passing of group consolidation entries for FY2014 were HK\$1,736,000, HK\$36,401,000 and HK\$6,060,000 respectively. Assuming that the Changchun Restructuring has been completed and based on the latest audited financial statements of the Group for FY2014, the net loss attributable to the Sale Shares is HK\$44,197,000 (equivalent to approximately S\$7,171,000). Assuming the Proposed Disposal had been completed on 31 March 2014, the Group would recognise a gain on disposal of HK\$11,240,000 (equivalent to approximately S\$1,820,000) at the Group level based on the audited net book value represented by the Sale Shares (after adjustment for Minority Interest and Final Inter-Company Balances) as at 31 March 2014.

The actual gain or loss on the Proposed Disposal can only be finalised after the Completion.

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### 2.4.6 NTA

Assuming that the Proposed Disposal had been completed on 31 March 2014 and based on the Group's audited consolidated financial statements for FY2014, the effects on the NTA per Share of the Group are as follows:

As at 31 March 2014	Before the Proposed Disposal	After the Proposed Disposal
NTA (HK\$'000) (S\$'000 approximate equivalent)	65,141 (S\$10,568)	61,928 (S\$10,047)
NTA per share (HK cents) (S\$ cents approximate equivalent)	18.5 (S\$3.0)	17.6 (S\$2.9)
NTA less non-controlling interest (HK\$'000) (S\$'000 approximate equivalent)	34,843 (S\$5,653)	41,397 (S\$6,716)
NTA less non-controlling interest, per share (HK cents) (S\$ cents approximate equivalent)	9.9 (S\$1.6)	11.8 (S\$1.9)

### 2.4.7 EPS

Assuming that the Proposed Disposal has taken place on 1 April 2013 and based on the Group's consolidated financial statements for FY2014, the Proposed Disposal would have the following effects on the Group's loss per Share as presented in the following table:

FY2014	Before the Proposed Disposal	After the Proposed Disposal
Consolidated net loss attributable to shareholders of the Company (HK\$'000) (S\$'000 approximate equivalent)	73,056 (S\$11,854)	10,173 (S\$1,651)
Loss per share (HK cents) (S\$ cents approximate equivalent)	20.8 (S\$3.4)	2.9 (S\$0.5)
Consolidated net loss attributable to shareholders of the Company, excluding the financial effects of the Proposed Disposal (HK\$'000) (S\$'000 approximate equivalent)	73,056 (S\$11,854)	26,029 (S\$4,223)
Loss per share (HK cents) (S\$ cents approximate equivalent)	20.8 (S\$3.4)	7.4 (S\$1.2)



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### 2.4.8 Gearing

Assuming that the Proposed Disposal has taken place on 31 March 2014 and based on the Group's consolidated financial statements for FY2014, the Proposed Disposal would have the following effects on the Group's gearing as presented in the following table:

As at 31 March 2014	Before the Proposed Disposal	After the Proposed Disposal
Gearing	45%	0%

**Note:-**

- (A) The bank borrowings and financing facilities of the Group are held by the Sale Entities. After the Proposed Disposal, the Group will not have any bank borrowings and financing facilities.

### 2.4.9 Issued Share Capital and Number of Shares

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

### 2.4.10 Relative Figures under Chapter 1006 of the Listing Manual

Based on the audited consolidated financial statements of the Group for the financial year ended 31 March 2014, the relative figures in respect of the Proposed Disposal, as computed on the bases set out in Rule 1006 of the Listing Manual, are as follows:

	Relative Figures (%)
<b>Rule 1006 (a)</b> Net asset value of the assets to be disposed of (HK\$26.572 million – <b>Note A</b> ), compared with the group's net asset value (HK\$65.141 million)	40.8%
<b>Rule 1006 (b)</b> Net profits attributable to the assets disposed of, compared with the Group's net profits	53.6% <b>(Note B)</b>
<b>Rule 1006 (c)</b> Aggregate value of consideration given or received HK\$37.022 million (equivalent to approximately S\$6.0 million, compared with the market capitalisation of the Company as at 9 June 2014 (S\$12.3 million– <b>Note C</b> , being the last full market day immediately preceding the execution of the Sale Agreement)	48.5%
<b>Rule 1006 (d)</b> The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	nil

**Notes:-**

- (A) Relates to the consolidated net asset value of the assets to be disposed assuming the completion of the Changchun Restructuring has taken place on 31 March 2014. It is equivalent to the Net Book Value (minus HK\$46,855,000) add the elimination of Final Inter-Company Balances (HK\$73,427,000), assuming that the Benchmark Date is 31 March 2014.
- (B) The Sale Entities had been loss making in FY2014. The net loss attributable to the assets disposed of is HK\$44.197 million, assuming the completion of the Changchun Restructuring on 31 March 2014. The net Loss of the Group for FY2014 is HK\$82.524 million. The relative figure is computed on a loss against loss basis.

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- (C) The market capitalisation is calculated based on the issued share capital of the Company of 352,000,000 Shares and the weighted average price of S\$0.035 transacted on the Mainboard of the SGX-ST on 5 June 2014, being the latest market day preceding the date of the sale and purchase agreement with transactions on the Company's shares.

### 2.5 INTENDED USE OF PROCEEDS

As mentioned in Section 2.1.3 above, the final Consideration would be subject to the Net Book Value, Minority Interest and Final Inter-Company Balances as at the Benchmark Date to be agreed between the Parties.

The Company will make further announcements updating Shareholders upon finalisation of the Benchmark Date and the amount of Consideration.

The Group intends to use the net proceeds from the Proposed Disposal for its general working capital.

The Company will announce any material disbursements of the net proceeds. The Company will in addition announce specific details of any material application of the net proceeds to working capital.

### 2.6 BASES FOR THE CONSIDERATION

Under the Sale Agreement, the Parties have agreed that the Consideration is on the basis that the Changchun Restructuring shall be deemed to have been fully completed as at the Benchmark Date and that the Company, through KMS, holds 90% of the equity interest in CCL, and that the Consideration is based on the following formula:

$$\text{Consideration} = \text{Net Book Value} - \text{Minority Interest} - \text{Final Inter-Company Balances} + \text{CCL Assets Value}$$

The Directors have taken into account the following in formulating the Consideration set out in Section 2.1.3 above:

#### 2.6.1 Sale of the Sale Entities at Net Book Value

The Net Book Value of the Consideration refers to the aggregate net book value of the Sale Entities as at the Benchmark Date based on the Management Accounts assuming that the Changchun Restructuring has been completed and excluding KMS's investment cost in BBA as BBA will be transferred from KMS to another existing subsidiary of the Group for a nominal consideration before Completion.

The Group's mould business segment which is undertaken by KMI and KMS ("**Mould Business Segment**") has been incurring losses for the past three financial years. CCL has also been loss making for the past the three years. As the Board expected both the Mould Business Segment and CCL to continue to be loss making in the next few years, full impairment to the production equipment of the Mould Business Segment and the production equipment of CCL were made in FY2014 and FY2013 respectively, on the basis of the Mould Business Segment and CCL as two independent cash-generating units ("**CGUs**") and after assessing the future losses expected to be incurred by each of the CGUs.

On 31 March 2014, being the end of FY2014, impairment charges of HK\$23.5 million (equivalent to S\$3.8 million) were made on all of the production equipment of the Mould Business Segment. On 31 March 2013, being the end of FY2013, impairment charges of HK\$6.1 million (equivalent to S\$1.0 million) were made on all of the production equipment of CCL.

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Notwithstanding that full impairment was made to the production equipment of the Mould Business Segment and CCL, the Board decided to commission a valuation on certain production equipment of the Mould Business Segment in its deliberations on the terms of the Proposed Disposal and in evaluating whether alternative means of disposing the Mould Business Segment and CCL or winding down of the same were viable.

In May 2014, the Group engaged the Valuer to conduct an independent valuation of the production equipment of the Mould Business Segment, selecting all assets which immediately prior to the impairment carried out on 31 March 2014 had a book value of approximately HK\$250,000 or higher. Based on this selection criterion, the valuation covered assets with a book value of HK\$16.1 million (equivalent to S\$2.6 million) immediately prior to the impairment of such assets on 31 March 2014 which represents 69% of the total net book value of the Mould Business Segment's production equipment (immediately prior to impairment as at 31 March 2014). Based on the valuation carried out by the Valuer on 6 June 2014, the selected assets were valued at HK\$10.6 million (equivalent to S\$1.7 million) which is equivalent to a discount of about 34.1% on the book value of HK\$16.1 million of the selected assets. The valuation when extrapolated against the full book value of all of the mould division's production equipment would be HK\$15.4 million (equivalent to S\$2.5 million).

A external valuation for the production equipment of CCL was not carried out as the entity would have production equipment with a book value of around HK\$5.0 million (equivalent to S\$0.8 million) as at 31 March 2014, assuming continuation of normal depreciation charges till 31 March 2014. The production equipment of CCL which is mainly for the production of stamped metal component parts that are used in the manufacture of automobiles is also much older and more out-of-date than the production equipment used for the Mould Business Segment. On a weighted-average basis based on the original cost of equipment, the production equipment of CCL has an average age of 15.7 years, whilst the mould production equipment has an average age of 5.3 years.

Given that the average age of the mould production equipment is on average 10 years newer as compared to that of CCL's, the mould production equipment is more technologically advanced and efficient and hence the Group believes that on a practical and conservative basis, it would be reasonable to use the valuation for the mould production equipment as a reference for extrapolating the value of the production equipment of CCL as such an extrapolation would likely yield a higher valuation amount for the CCL production equipment than if the CCL production equipment were appraised.

As the selected mould production equipment was appraised at a discount of HK\$5.5 million to its net book value (immediately prior to impairment as at 31 March 2014), the book value of the production equipment of CCL of around HK\$5.0 million (equivalent to S\$0.8 million) as at 31 March 2014, was similarly discounted and the extrapolated valuation amount of the production equipment of CCL (based on 66% of the book value of asset of the production equipment of CCL of HK\$5.0 million (equivalent to S\$0.8 million) as at 31 March 2014, assuming no impairment had been made and computation of depreciation charges till 31 March 2014) was HK\$3.3 million (equivalent to S\$0.5 million).

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Notwithstanding that the extrapolated valuation of HK\$15.4 million of the assets of the Mould Business Segment and the extrapolated valuation of HK\$3.3 million of the selected assets of CCL represented an aggregate amount of HK\$18.7 million, and while such selected assets were recorded at nil value in the Group's financial statements and consequently as part of the Proposed Disposal, the Directors are nonetheless of the view that the Proposed Disposal would be more beneficial to the Group as opposed to a realisation of the selected assets through a winding down and sale of the Sale Entities for the reasons set out below:-

- (a) One of the alternatives considered by the Board was a winding down of the Mould Business Segment and the business of CCL and disposing of their respective assets on a piecemeal basis to as to realise at valuation.

However, in the event of a liquidation of the business, the Group would have to incur retrenchment costs and may be required to make compensation to its customers for termination of existing sales orders.

Using the Mould Business Segment as an illustration, assuming that the compensation amount to be equivalent to the contract value, if the Group were to cease the operations of the Mould Business Segment on 31 March 2014, the aggregate of the cost of retrenchment of our mould division and the quantum of compensation to be paid for termination of mould contracts would likely be approximately HK\$57.3 million (equivalent to S\$9.3 million), not including the reputational losses that the Group will suffer. This compensation amount would also be higher than the value that the Group can recover from the disposal of its other trade assets such as its inventory of HK\$ 32.7 million (equivalent to S\$5.3 million) and trade receivables of HK\$ 11.2 million (equivalent to S\$1.8 million) as at 31 March 2014. In the event of a cessation of operations and piecemeal liquidation of its assets, it is unlikely for the Mould Business Segment to recover its inventory and trade receivables at full book value.

The Group believes that if the Mould Business Segment and CCL were to be wound down and the assets sold on a piecemeal basis, the Group would incur other additional expenses and cost in relation to the winding down process. In the event of a winding down of operations, it is unlikely for the Group to be able to recover the full book value of its other assets which consists mainly of trade assets such as receivables and inventory.

The Board is of the view that a piecemeal disposal of the assets of the Mould Business Segment and CCL would likely be a lengthy process with higher winding down costs incurred. The Board is also of the view that it would be challenging to wind down the Mould Business Segment and CCL on a gradual and piecemeal basis so as to minimise or prevent excessive compensation to customers while at the same time looking for buyers for its various assets.

For comparison, the losses incurred by the Mould Business Segment before impairment charges for plant and equipment and intangible assets for FY2014 is about HK\$19.0 million (equivalent to S\$3.1 million). The extrapolated revalued amount of the production equipment is equivalent to about 9.7 months of losses of FY2014.

In FY2014, the loss of CCL (after including the depreciation charges of the impaired assets) would have been HK\$ 7.3 million (equivalent to S\$1.2 million). The extrapolated re-valued amount of the production equipment is equivalent to about 5.4 months of losses of FY2014.

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- (b) The Board believes that if the Mould Business Segment and CCL are to continue operations, further losses are expected to be incurred. The Board believes that while the production equipment of the Mould Business Segment and CCL have been impaired in the Proposed Disposal, the terms of the Proposed Disposal would enable the Group to dispose of the Sale Entities on a “going concern” basis and recover the remaining assets of the Mould Business Segment such as the trade receivables and inventory at book value.

### 2.6.2 Valuation of the Property

The CCL Assets Value of the Consideration means HK\$11,240,000 which is the sum equivalent to 90% of the valuation premium of HK\$12,489,000 over the net book value of the Property of CCL as at 31 March 2014, that is deemed to belong to the Group assuming that the Company, through KMS, holds 90% of the equity interest in CCL on completion of the Changchun Restructuring as agreed under the Sale Agreement.

A valuation of the Property owned by CCL was carried out by the Valuer engaged by the Group and based on the Valuer’s valuation report dated 6 March 2014, the Property was valued at approximately HK\$40,004,000 (equivalent to approximately S\$6,486,000), on an open market valuation basis.

The Company understands that the Valuer was incorporated in China on 3 June 1999 and has been engaged in real estate valuations for over 15 years since its incorporation in Shenzhen, China. The Valuer is an independent valuation company and does not have any relationship with the Company, its Directors or Substantial Shareholders.

As at 31 March 2014, the net book value of the Property was approximately HK\$27,515,000 (equivalent to approximately S\$4,464,000). Having regard to the Company’s 90% equity interest in CCL on the basis that the Changchun Restructuring has been completed, 90% of the valuation premium of HK\$12,489,000 (equivalent to approximately S\$2,022,000) on the Property as at 31 March 2014 shall be equivalent to the CCL Assets Value of HK\$11,240,000 (equivalent to approximately S\$1,820,000).

Apart from the matters and valuation set out in Section 2.6.1 of this Circular and the valuation of the Property referred to in Section 2.6.2 of this Circular, no other valuation of the assets and businesses of the Sale Entities was taken into account for the purpose of determining the Consideration. As the Sale Entities have been incurring losses for the past three financial years, the Board did not commission a valuation on the respective businesses of the Sale Entities (other than the valuation of selected production equipment of the Mould Business Segment as set out in Section 2.6.1 above and the valuation of the Property as set out in Section 2.6.2 above) as the Board was of the view that the net losses associated with the Sale Entities of HK\$25,305,000 (equivalent to approximately S\$4,079,000), HK\$27,680,000 (equivalent to approximately S\$4,434,000), and HK\$50,623,000 (equivalent to approximately S\$8,214,000) for FY2012, FY2013 and FY2014 respectively means that the value associated with the businesses of the Sale Entities would principally relate to its tangible assets, an approach which the Directors believe is consistent with common valuation practices of valuing loss making entities.

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### 2.7 RATIONALE FOR THE PROPOSED DISPOSAL

#### 2.7.1 The Proposed Disposal will dispose of significant loss-making entities of the Group and is expected to improve the overall profitability of the Group

The Company is proceeding with the Proposed Disposal in view of the weak financial performance of the Sale Entities. The Sale Entities have been reporting losses in the last 3 financial years, resulting in a depletion of reserves and cash resources of the Group. The Company believes that prospects of the Sale Entities are not favourable, and the Proposed Disposal will allow the Group to restructure its existing business mix to achieve a better business mix and a stronger financial performance.

Referring to Section 2.4.7 above, assuming the completion of the Proposed Disposal at 31 March 2014 and excluding the gain from the Proposed Disposal, the consolidated net loss of the Group attributable to shareholders of the Company will decrease from approximately HK\$73.1 million (equivalent to S\$11.9 million) to approximately HK\$26.0 million (equivalent to S\$4.2 million).

#### 2.7.2 Winding down of the Sale Entities would likely be a costly and lengthy process

One of the alternatives considered by the Board was a winding down of the Mould Business Segment and the business of CCL and disposing of their respective assets on a piecemeal basis.

However for the reasons set out in Section 2.6.1 above, the Board is of the view that a piecemeal disposal of the assets of the Mould Business Segment and CCL would likely be a costly lengthy process with higher winding down costs incurred.

The Group also faces less uncertainty as a single buyer will be taking over the Mould Business Segment and CCL, instead of likely separate negotiations with a number of buyers.

In addition, the Proposed Disposal will likely require less time to complete, which is a key consideration for the Group in view of the time constraint placed on the Company which is on the watch-list of the SGX-ST as mentioned in Section 2.7.5.

#### 2.7.3 The Proposed Disposal is expected to improve the overall financial position of the Group

The following financial ratios presents the financial position of the Group for the financial year ended 31 March 2014, assuming that the Proposed Disposal was completed on 31 March 2014.

Financial ratio	Before the Proposed Disposal	After the Proposed Disposal
Trade receivable turnover days	79	74
Inventory turnover days	80	47
Trade payable turnover days	129	137
Cash conversion cycle	35	(10)
Current ratio	1.18	1.56
Gearing	45%	0%
Cash ratio (cash and bank / current liabilities)	0.21	0.57

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Referring to the table above, the Proposed Disposal will significantly decrease the gearing of the Group as the borrowings of the Group are held by KMS and CCL. Assuming the completion of the Proposed Disposal on 31 March 2014, the overall gearing of the Group will improve from 45% to nil. Short term liquidity is also expected to improve with faster cash conversion and improvements in current and cash ratios. This will provide the Group with more financial flexibility to allocate its resources more effectively.

FY2014 Actual	Mould	Automobile Components Manufacturing		IMD & Plastic Injection Components (“IMD Business”)
		BBA	CCL	
Days				
Trade receivables	69	66	172	104
Inventory	284	37	43	52
Trade payables	138	124	111	160
Cash conversion	193	(18)	110	1

In addition, the Group’s Mould Business Segment which is mainly undertaken by KMI and KMS, is a capital intensive business with a longer production cycle time of six to nine months, resulting in a longer cash conversion cycle as shown in the table above. The proposed disposal of KMI and KMS will help to improve the overall working capital of the Group.

As for CCL, it is the smallest entity within the Group with an average monthly revenue of HK\$2.3 million (equivalent to S\$0.4 million) in FY2014. The business of CCL is less developed as compared to the Group’s other entities and would require a longer period of time to achieve economies of scale. It also has a longer trade receivable cycle. Despite an improvement in revenue and gross margin of CCL in FY2014, CCL remains loss-making. Furthermore, as CCL holds the Property, the proposed disposal of CCL will help to improve the financial position of the Group and raise additional funds for the Group’s re-investment plans.

In comparison, the business of BBA and the IMD Business have more rapid conversion cycles and the Proposed Disposal should improve the overall working capital of the Group. The shorter cash conversion cycles of BBA and the IMD Business will provide the Group with the operational and financial flexibility to expand the business volume of BBA and/or the IMD Business, or invest in other new products or business opportunities if such an opportunity arises. The Group may not have such flexibility if it needs to sustain the longer working capital requirements of the Mould Business Segment and CCL.

### 2.7.4 Disposal of Property at valuation

The Proposed Disposal allows the Group to liquidate the Property belonging to CCL at a gross valuation surplus of HK\$12,489,000 (equivalent to approximately S\$2,022,000) (with the Group’s 90% stake at HK\$11,240,000, equivalent to approximately S\$1,820,000). The Proposed Disposal will allow the Group to realise its gains on this Property and redeploy funds to alternative usages.

If the Property were to be sold individually as an asset to a potential buyer, the transaction would incur fees and taxes of HK\$2.26 million (equivalent to approximately S\$0.4 million) (the Group’s 90% share would be approximately HK\$2.03 million equivalent to approximately S\$0.3 million), based on the independent valuation of the Property. The disposal of the Property through the Proposed Disposal would not incur such fees and taxes.

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### 2.7.5 Watch-list of the SGX-ST

On 4 September 2013, the Company was placed on the watch-list of the SGX-ST. Pursuant to Rule 1314 of the Listing Manual, the Company may apply for its removal from the watch-list if it records consolidated pre-tax profit for the most recently completed financial year (based on the latest full-year consolidated audited accounts, excluding exceptional or non-recurrent income and extraordinary items) and has an average daily capitalisation of S\$40 million or more over the last 120 market days on which trading was not suspended or halted, or if the Company satisfies the quantitative criteria in Rules 210(2)(a) or 210(2)(b) of the Listing Manual for listing of equity securities on the Mainboard of the SGX-ST.

Should the Company be unable to meet the requirements of Rule 1314 of the Listing Manual by 3 September 2015, the SGX-ST may either remove the Company from its Official List, or suspend trading of the Shares with a view to removing the Company from its Official List. In the event that the SGXST exercises its power to remove the Company from its Official List at such time, any exit alternative offered by the Company may or may not be reasonable and Shareholders may lose some or all of their investment in the Company.

The Directors believe that the Proposed Disposal will facilitate the removal of the Company from the watch-list of the SGX-ST for the reasons set out in sections 2.7.1 to 2.7.4 above and help to improve the Company's valuation in the long term.

### 2.8 Effect of the Proposed Disposal

Upon Completion, the businesses of the Group would comprise:

- (a) automobile components manufacturing business, as carried on by the Company's 57% owned subsidiary, BBA, and
- (b) IMD and plastic injection component manufacturing business, as carried by the Company's wholly owned subsidiaries, YKT and KPE.

BBA, YKT and KPE are loss making in FY2014. The combined net losses of BBA, YKT and KPE is approximately HK\$27,802,000 (equivalent to approximately S\$4,511,000) in FY2014, which is equivalent to 32.7% of the total net loss of HK\$85,142,000 (equivalent to approximately S\$13,815,000) in FY2014.

## 3. THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE

### 3.1 Background

The Company's existing Share Buy Back Mandate was renewed at an extraordinary general meeting held on 22 October 2013 ("2013 EGM"). The Share Buy Back Mandate approved at the 2013 EGM will expire on 25 July 2014, being the date of the forthcoming AGM.

The Company proposes to seek Shareholders' approval at the EGM for renewal of the general mandate to authorise the Directors to exercise all powers of the Company to purchase or acquire its issued Shares on the terms of the Share Buy Back Mandate. If approved by Shareholders at the EGM, the authority conferred by the Share Buy Back Mandate will take effect and continue in force for the duration of such authority as set out in Section 3.3(ii) of this Letter to Shareholders, whereupon it will lapse.



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### 3.2 Rationale for the Share Buy Back Mandate

The Share Buy Back Mandate will give the Company the flexibility to undertake purchases or acquisitions of its Shares up to the ten per cent (10%) limit described in Section 3.3(i) below at any time, subject to market conditions and funding arrangements, during the period when the Share Buy Back Mandate is in force. The Share Buy Back Mandate will enable the Company to undertake purchases and acquisitions of Shares and provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner.

The Share Buy Back Mandate will also allow the Directors greater flexibility over the Company's share capital structure and dividend policy with a view to enhancing the earnings and/or the NTA per Share. The Directors further believe that the Share Buy Back by the Company will help mitigate short-term market volatility in the Company's Share price, offset the effects of short-term speculation and bolster Shareholders' confidence.

The Board will decide (i) whether to effect the proposed Share Buy Back via Market Purchases or Off-market Purchases and (ii) whether the Shares purchased or acquired should be held as Treasury Shares or cancelled, after taking into account the amount of surplus cash available, the prevailing market conditions and the most cost-effective and efficient approach.

Shareholders should note that the Share Buy Back pursuant to the proposed Share Buy Back Mandate may not be carried out to the full limit as authorised, and no Share Buy Back would be made in circumstances which would or in circumstances which might, result in a material adverse effect on the liquidity, the orderly trading of the Shares and capital adequacy of the Company, taking into account the working capital requirements of the Company or the gearing levels, which in the opinion of the Board, are from time to time appropriate for the Company.

### 3.3 Terms of the Share Buy Back Mandate

The authority and limitations placed on purchases of Shares by the Company under the Share Buy Back Mandate are summarised below:

(i) **Maximum Number of Shares**

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

Further, the total number of Shares which may be purchased or acquired is limited to that number of Shares representing not more than ten per cent. (10%) of the total number of issued Shares of the Company (ascertained as at the date of the last AGM or at the date of the EGM at which the Share Buy Back Mandate is approved, whichever is higher), unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during a Relevant Period in which event the total number of issued Shares of the Company shall be taken to be the total number of issued Shares of the Company as altered (excluding any Treasury Shares that may be held by the Company from time to time).

**For illustration purposes only**, based on the existing issued and paid-up share capital of the Company as at the Latest Practicable Date of HK\$145,057,000 comprising 352,000,000 Shares (excluding Treasury Shares), and assuming that no further Shares are issued, no Shares are purchased or acquired by the Company or held as Treasury Shares on or prior to the EGM, not more than 35,200,000 Shares (representing ten per cent. (10%) of the Shares in issue as at the date of the EGM) may be purchased or acquired by the Company pursuant to the Share Buy Back Mandate.

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## LETTER TO SHAREHOLDERS

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**(ii) Duration of Authority**

Purchase of Shares may be made, at any time and from time to time, on and from the date of the EGM at which the Share Buy Back Mandate is approved up to the earlier of:

- (a) the date on which the next AGM of the Company is held or required by law to be held;
- (b) the date on which the Share Buy Back is carried out to the full extent mandated; or
- (c) the date on which the authority conferred by the Share Buy Back Mandate is revoked or varied by the Company in general meeting.

(the “**Relevant Period**”)

**(iii) Manner of purchase**

Share Buy Back may be made by way of:-

- (a) on-market purchases (“**Market Purchases**”), transacted on the SGX-ST through the ready market, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and /or
- (b) off-market purchases (“**Off-market Purchases**”) (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by Section 76C of the Act and the Listing Manual.

In an Off-market Purchase, the Directors may impose such terms and conditions, to the extent that such terms do not conflict with the Share Buy Back Mandate, the Listing Manual, the Act and other applicable laws and regulations, as they consider fit in connection with or in relation to an equal access scheme(s).

Under the Act, an equal access scheme must satisfy all the following conditions:

- (a) offers for the Share Buy Back shall be made to every person who holds issued Shares to purchase or acquire the same percentage of their issued Shares;
- (b) all of those persons have a reasonable opportunity to accept the offers made to them; and
- (c) the terms of all the offers are the same except that there shall be disregarded:-
  - (1) differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements;
  - (2) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid; and
  - (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

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## LETTER TO SHAREHOLDERS

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In addition, under the Listing Manual, in making an Off-market Purchase, the Company must issue an offer document to all Shareholders containing at least the following information:-

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed Share Buy Back;
- (d) the consequences, if any, of the Share Buy Back that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the Share Buy Back, if made, could affect the listing of the Shares on SGX-ST;
- (f) details of any Share Buy Back made by the Company in the previous twelve (12) months (whether by way of Market Purchases or Off-market Purchases in accordance with an equal access scheme), giving the total number of Shares purchased or acquired, the purchase or acquisition price per Share or the highest and lowest prices paid for the purchases or acquisition, where relevant, and the total consideration paid for the purchases or acquisition; and
- (g) whether the Shares purchased by the Company will be cancelled or kept as Treasury Shares.

**(iv) Maximum Purchase Price**

The purchase price per Share (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares purchased or acquired pursuant to the Share Buy Back Mandate will be determined by the Directors, provided that such purchase price must not exceed:-

- (a) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price (as defined hereinafter),

(the "**Maximum Price**") in either case, excluding related expenses of the purchase or acquisition

For the above purposes:-

"**Average Closing Price**" means the average of the closing market prices of the Share over the last five (5) Market Days, on which transactions in the Shares were recorded, immediately preceding the day of making the offer pursuant to the Off-market Purchase, and deemed to be adjusted for any corporate action that occurs after such five (5) Market Day period.

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from its Shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

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## LETTER TO SHAREHOLDERS

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### 3.4 Status of purchased or acquired Shares: held in treasury or cancelled

Any Shares purchased or acquired pursuant to the Share Buy Back Mandate will be dealt with in such manner as may be permitted by the Act.

Under the Act, any Share purchased or acquired by the Company shall be deemed to be cancelled immediately on purchase or acquisition (and all rights and privileges attached to that Share shall expire on cancellation), unless such Share is held by the Company as Treasury Shares in accordance with Sections 76H of the Act.

#### (i) Treasury shares

Under the Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Certain of the provisions on treasury shares under the Act are summarised below:

- (a) Maximum holding: The aggregate number of Shares held by the Company as treasury shares shall not at any time exceed ten per cent. (10%) of the total number of Shares in issue at that time. In the event that the aggregate number of treasury shares held by the Company exceeds the aforesaid limit, the Company shall dispose of or cancel the excess treasury shares within six (6) months from the day the aforesaid limit is first exceeded.
- (b) Voting and other rights: The Company cannot exercise any right in respect of the treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members of the Company on a winding up) may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of the treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a smaller or larger amount respectively is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

- (c) Disposal or cancellation: Where Shares are held as Treasury Shares, the Company may at any time:
  - (1) sell the treasury shares (or any of them) for cash;
  - (2) transfer the treasury shares (or any of them) for the purposes of or pursuant to an employees' share scheme;
  - (3) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
  - (4) cancel the treasury shares (or any of them); or
  - (5) sell, transfer or otherwise use the treasury shares for such other purposes as the Minister for Finance may by order prescribe.

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## LETTER TO SHAREHOLDERS

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### (ii) Purchased or acquired Shares cancelled

Under the Act, where Shares purchased or acquired by the Company are cancelled, the Company shall:

- (a) reduce the amount of its share capital where the Shares were purchased out of the capital of the Company;
- (b) reduce the amount of its profits where the Shares were purchased or acquired out of the profits of the Company; or
- (c) reduce the amount of its share capital and profits proportionately where the Shares were purchased out of both the capital and the profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled. Shares which are cancelled will be automatically delisted, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following such cancellation. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are cancelled and not held as treasury shares.

### 3.5 Source of funds

In purchasing or acquiring its Shares, the Company may only apply funds legally available for such purchase or acquisition as provided in the Articles and in accordance with applicable laws in Singapore.

The Act permits any Share Buy Back to be made out of a company's capital or profits so long as the company is solvent. For this purpose, a company is "solvent" if:-

- (a) the company is able to pay its debts in full at the time of the Share Buy Back and will be able to pay its debts as they fall due in the normal course of business during the period of twelve (12) months immediately following the date of the Share Buy Back; and
- (b) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the Share Buy Back, become less than the value of its liabilities (including contingent liabilities).

The Company intends to use the Group's internal resources, or external bank borrowings or a combination of both to finance the Share Buy Back pursuant to the Share Buy Back Mandate. The amount of funding required for the Company to purchase or acquire Shares under the Share Buy Back Mandate and the financial impact on the Company and the Group arising from the Share Buy Back pursuant to the Share Buy Back Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time and the amount (if any) borrowed by the Company to fund the Share Buy Back.

The Board will only make purchases or acquisitions pursuant to the Share Buy Back Mandate in circumstances which it believe will not result in any material adverse effect on the liquidity and/or the orderly trading of the Shares and/or the financial position of the Group.

### 3.6 Financial effects

The financial effects on the Company and the Group arising from the Share Buy Back which may be made pursuant to the Share Buy Back Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the Share Buy Back is made out of capital or profits of the Company, the price paid for such Shares, whether the Shares purchased or acquired are held in treasury or cancelled and the amount (if any) borrowed by the Company to fund the Share Buy Back.

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## LETTER TO SHAREHOLDERS

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The financial effects on the Company and the Group, based on the audited financial accounts of the Company for FY2014, are based on the assumptions set out below:-

**(i) Share Buy Back made out of capital or profits**

Where the Share Buy Back is made out of capital, the profits available for distribution as dividends by the Company will not be reduced. Where the Share Buy Back is made out of profits, the purchase price paid by the Company for the Shares (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the profits available for distribution as dividends by the Company.

**(ii) Number of, and Maximum Price paid for, Shares purchased or acquired**

Based on 352,000,000 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are issued and no Shares are held by the Company as treasury shares on or prior to the forthcoming EGM, the Share Buy Back of up to the maximum limit of ten per cent. (10%) of the total number of its issued Shares will result in the Share Buy Back of up to 35,200,000 Shares.

In the case of Market Purchases by the Company made entirely out of capital and assuming that the Company purchases or acquires 35,200,000 Shares at the Maximum Price of S\$0.036 for each Share (being the price equivalent to five per cent. (5%) above the Average Closing Price of the Shares over the last five (5) Market Days, on which transactions in the Shares were recorded, immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 35,200,000 Shares is approximately S\$1,267,200.

In the case of Off-market Purchases by the Company made entirely out of capital and assuming that the Company purchases or acquires 35,200,000 Shares at the Maximum Price of S\$0.041 for each Share (being the price equivalent to twenty per cent. (20%) above the Average Closing Price of the Shares over the last five (5) Market Days, on which transactions in the Shares were recorded, immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 35,200,000 Shares is approximately S\$1,443,200.

**(iii) Illustrative financial effects**

It is not possible for the Company to realistically calculate or quantify the financial effects of Share Buy Back that may be made pursuant to the Share Buy Back Mandate as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the Share Buy Back is made out of capital or profits, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled.

**Purely for illustrative purposes only**, based on the audited financial statements of the Company for FY2014, the assumptions stated above, assuming that the Share Buy Back are funded solely from Company's cash and assuming that the Company purchases or acquires up to 35,200,000 Shares (representing approximately ten per cent (10%) of the issued Shares).

## LETTER TO SHAREHOLDERS

The effects of the Share Buy Back by way of such Market Purchases and Off-market Purchases on the financial positions of the Group under each of the Scenarios A and B as described below are as follows:

(a) Market Purchases

As at 31 March 2014 (audited)	Group		
	Before Share Buy Back (HK\$'000)	After Share Buy Back (HK\$'000)	
		Scenario A	Scenario B
Share capital	145,057	145,057	137,179
Accumulated profits	(32,765)	(32,765)	(32,765)
Other reserves	(77,449)	(77,449)	(77,449)
	34,843	34,843	26,965
Treasury Shares	–	(7,878)	–
Shareholders' funds	34,843	26,965	26,965
NTA <sup>(1)</sup>	34,843	26,965	26,965
Current assets	244,179	236,301	236,301
Current liabilities	207,744	207,744	207,744
Working capital	36,435	28,557	28,557
Total borrowings	29,136	29,136	29,136
Net loss	85,142	85,142	85,142
Cash and cash equivalents	38,621	30,743	30,743
Number of Shares <sup>(2)</sup> (‘000)	352,000	352,000	316,800
Number of treasury shares (‘000)	–	35,200	–
<u>Financial ratios</u>			
LPS (HK cents) <sup>(3)</sup>	20.8	14.1	14.1
NTA per Share (HK cents)	9.9	8.5	8.5
Gearing ratio (%) <sup>(4)</sup>	83.6	108.1	108.1
Current ratio (times) <sup>(5)</sup>	1.2	1.1	1.1

**Notes:**

- (1) NTA equals Shareholders' funds less intangible assets.
- (2) Based on the number of Shares issued as at 31 March 2014 and adjusted for the effect of the Share Buy Back.
- (3) LPS is computed based on FY2014 net loss attributable to Shareholders divided by the number of Shares.
- (4) Gearing ratio equals total borrowings divided by Shareholders' funds.
- (5) Current ratio equals current assets divided by current liabilities.

Scenario A: Market Purchases of 35,200,000 Shares made entirely out of capital and held as Treasury Shares

As illustrated under Scenario A in the table above, such purchase of Shares will have the effect of reducing the NTA of the Company by the dollar value of the Shares purchased. The consolidated NTA per Share of the Company as at 31 March 2014 will also decrease from 9.9 HK cents to 8.5 HK cents.

## LETTER TO SHAREHOLDERS

### Scenario B: Market Purchases of 35,200,000 Shares made entirely out of capital and cancelled

As illustrated under Scenario B in the table above, such purchase of Shares will have the effect of reducing the NTA of the Company by the dollar value of the Shares purchased. The consolidated NTA per Share of the Company as at 31 March 2014 will also decrease from 9.9 HK cents to 8.5 HK cents.

(b) Off-market Purchases

<b>As at 31 March 2014 (audited)</b>	<b>Group</b>		
	<b>Before Share Buy Back (HK\$'000)</b>	<b>After Share Buy Back (HK\$'000)</b>	
		<b>Scenario A</b>	<b>Scenario B</b>
Share capital	145,057	145,057	136,084
Accumulated profits	(32,765)	(32,765)	(32,765)
Other reserves	(77,449)	(77,449)	(77,449)
	34,843	34,843	25,870
Treasury Shares	–	(8,973)	–
Shareholders' funds	34,843	25,870	25,870
NTA <sup>(1)</sup>	34,843	25,870	25,870
Current assets	244,179	235,206	235,206
Current liabilities	207,744	207,744	207,744
Working capital	36,435	27,462	27,462
Total borrowings	29,136	29,136	29,136
Net loss	85,142	85,142	85,142
Cash and cash equivalents	38,621	29,648	29,648
Number of Shares <sup>(2)</sup> (‘000)	352,000	352,000	316,800
Number of Treasury Shares (‘000)	–	35,200	–
<u>Financial ratios</u>			
LPS (HK cents) <sup>(3)</sup>	20.8	14.1	14.1
NTA per Share (HK cents)	9.9	8.2	8.2
Gearing ratio (%) <sup>(4)</sup>	83.6	112.6	112.6
Current ratio (times) <sup>(5)</sup>	1.2	1.1	1.1

**Notes:**

- (1) NTA equals Shareholders' funds less intangible assets.
- (2) Based on the number of Shares issued as at 31 March 2014 and adjusted for the effect of the Share Buy Back.
- (3) LPS is computed based on FY2014 net loss attributable to Shareholders divided by the number of Shares.
- (4) Gearing ratio equals total borrowings divided by Shareholders' funds.
- (5) Current ratio equals current assets divided by current liabilities.



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## LETTER TO SHAREHOLDERS

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### Scenario A: Off-market Purchases of 35,200,000 Shares made entirely out of capital and held as Treasury Shares

As illustrated under Scenario A in the table above, such purchase of Shares will have the effect of reducing the NTA of the Company by the dollar value of the Shares purchased. The consolidated NTA per Share of the Company as at 31 March 2014 will also decrease from 9.9 HK cents to 8.2 HK cents.

### Scenario B: Off-market Purchases of 35,200,000 Shares made entirely out of capital and cancelled

As illustrated under Scenario B in the table above, such purchase of Shares will have the effect of reducing the NTA of the Group by the dollar value of the Shares purchased. The consolidated NTA per Share of the Company as at 31 March 2014 will also decrease from 9.9 HK cents to 8.2 HK cents.

**Shareholders should note that the financial effects set out above, based on the respective assumptions stated above, are for illustration purposes only and are not necessarily representative of future financial performance. In addition, the actual impact will depend on, *inter alia*, the actual number and price of Shares that may be purchased or acquired by the Company, and whether the Shares purchased or acquired are held in treasury or cancelled.**

Although the proposed Share Buy Back Mandate would authorise the Company to purchase up to ten per cent (10%) of the Company's total number of issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire ten per cent (10%) of the total number of issued Shares as mandated. In addition, the Company may cancel all or part of the Shares purchased, or hold all or part of the Shares purchased in treasury. The Board would emphasise that it does not propose to exercise the proposed Share Buy Back Mandate to such an extent that would, or in circumstances that might, result in a material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from SGX-ST.

### 3.7 Taxation

Section 10J of the Income Tax Act, Chapter 134 of Singapore stipulates that when a company purchases or acquires its own shares from a shareholder using funds other than contributed capital of the company, the payment by the company shall be deemed to be a dividend paid by the company to the shareholder. Accordingly, the Company, will in repurchasing its own Shares out of profits, be deemed to have paid a dividend to its Shareholders from whom the Shares are purchased.

**Shareholders should note that the foregoing statements are not to be regarded as advice on the tax position of any Shareholder or on any tax implications arising from the Share Buy Back. Shareholders who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers.**

### 3.8 Requirements under the Act

Within thirty (30) days of the passing of a Shareholders' resolution to approve the renewal of Share Buy Back Mandate, the Company shall lodge a copy of such resolution with ACRA.

Within thirty (30) days of the Share Buy Back on SGX-ST or otherwise, the Company shall lodge with ACRA the notice of the Share Buy Back in the prescribed form, such notification including, *inter alia*, dates of the Share Buy Back, the total number of Shares purchased or acquired by the Company, the total number of Shares cancelled, the total number of Shares held as treasury shares, the Company's issued share capital before and after Share Buy Back, the amount of consideration paid by the Company for Share Buy Back, and whether the Shares were purchased or acquired out of the profits or the capital of the Company.

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## LETTER TO SHAREHOLDERS

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### 3.9 Listing Manual

#### (i) Maximum Purchase Price

Under the Listing Manual, a listed company may purchase shares by way of Market Purchases at a price per share which is not more than five per cent (5%) above the Average Closing Price (as defined above), on which transactions in the shares were recorded, before the day on which the purchases were made. Accordingly, the Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 3.3(iv) above, conforms to this restriction.

#### (ii) No purchases during price-sensitive developments

Although the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, as the Company would be regarded as an “insider” in relation to any proposed Share Buy Back, the Company will not undertake any Share Buy Back pursuant to the Share Buy Back Mandate at any time after any matter of development of a price-sensitive nature has occurred or has been the subject of a consideration and/or decision of the Board until the price-sensitive information has been publicly announced, and the Company will not purchase or acquire any Shares through Market Purchases or Off-market Purchases during the period of one (1) month immediately preceding the announcement of the Company’s annual results or during the period of two (2) weeks immediately preceding the announcement of the Company’s financial statements for each of the first three quarters of its FY (as the case may be).

#### (iii) Listing status of the Shares

Under Rule 723 of the Listing Manual, a listed company shall ensure that at least ten per cent (10%) of the total number of issued Shares excluding Treasury Shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public.

As at the Latest Practicable Date, 208,566,000 Shares representing approximately fifty-nine point twenty-five percent (59.25%) of the issued share capital of the Company are held in the hands of the public Shareholders. The Company is of the view that there is a sufficient number of Shares in issue held by the public which would permit the Company to undertake the Share Buy Back up to full ten per cent (10%) limit pursuant to the Share Buy Back Mandate, without adversely affecting the listing status of the Shares, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

The Board will only make purchases or acquisitions pursuant to the Share Buy Back Mandate in circumstances which it believe will not result in any material adverse effect on the liquidity and/or the orderly trading of the Shares and/or the financial position of the Group.

#### (iv) Reporting requirements under the Listing Manual

In addition, the Listing Manual also specifies that a listed company shall report all purchases or acquisitions of its Shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was effected, and (b) in the case of an Off-Market Purchase, on the second Market Day after the close of acceptances of the offer. Such announcement shall include, *inter alia*, details of the total number of Shares authorised for purchase, the date of purchase, the total number of Shares purchased, the purchase price per Share or (in the case of Market Purchases) the purchase price per Share or the highest price and lowest price per Share, the total consideration paid for the Shares and the number of issued Shares after purchase, in the form prescribed under the Listing Manual.

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## LETTER TO SHAREHOLDERS

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### 3.10 Certain Take-over Code Implications

Appendix 2 of the Take-over Code contains the Share Buy Back Guidance Note. The take-over implications arising from any Share Buy Back are set out below:-

**(i) Obligation to make a take-over offer**

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest of a Shareholder and persons acting in concert with him in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("**Rule 14**"). Consequently, a Shareholder or group of Shareholders acting in concert could obtain or consolidate effective control of the Company and become obliged to make a take-over offer for the Company under Rule 14.

**(ii) Persons acting in concert**

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be acting in concert with each other:-

- (a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (b) a company, its parent company, Subsidiaries and fellow Subsidiaries, and their Associated Companies and companies of which such companies are Associated Companies, all with each other;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;
- (e) a financial or other professional adviser, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total ten per cent. (10%) or more of the client's equity share capital;
- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least twenty per cent (20%) but not more than fifty per cent. (50%) of the voting rights of a company will be regarded as the test of associated company status.

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## LETTER TO SHAREHOLDERS

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The circumstances under which Shareholders, including Directors, and persons acting in concert with them, respectively, will incur an obligation to make a take-over offer as a result of a Share Buy Back are set out in Rule 14 and Appendix 2 of the Take-over Code.

**(iii) Effect of Rule 14 and Appendix 2 of the Take-over Code**

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of a Share Buy Back:-

- (a) the percentage of voting rights held by such Directors and their concert parties in the Company increases to thirty per cent. (30%) or more; or
- (b) if they together hold between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, their voting rights are increased by more than one per cent (1%) in any period of 6 months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Share Buy Back, the voting rights of such Shareholder in the Company would increase to thirty per cent. (30%) or more, or, if such Shareholder holds between thirty per cent. (30%) to fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent. (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the proposed Share Buy Back Mandate.

Any Shares held by the Company as treasury shares shall be excluded from the calculation of the percentages of voting rights under the Take-over Code referred to above.

**(iv) Exemption from the requirement to make a general offer**

As at the Latest Practicable Date, China Hongda Holdings Limited ("**China Hongda**"), which is incorporated in British Virgin Islands and is wholly owned by Cai Kaoqun, holds 123,084,000 Shares in the Company, representing approximately 34.97% shareholdings.

As at the Latest Practicable Date, the following company and individuals are persons acting in concert with each other under the Take-over Code:

- (a) China Hongda;
- (b) Cai Kaoqun, the sole director and sole shareholder of China Hongda; and
- (c) the brother of Cai Kaoqun, namely, Cai Kaobing

(Collectively, the "**Parties**").

Assuming that the Company acquires ten per cent. (10%) of its total issued Shares, or 35,200,000 Shares of the 352,000,000 total Shares issued, and assuming that the voting rights of the Parties in the Company as at Latest Practicable Date of approximately 40.42% remain unchanged at the EGM, the voting rights that the Parties have in the Company will increase from approximately 40.42% (as at the date of the EGM) to approximately 44.91% solely as a result of the proposed Share Buy Back Mandate. Accordingly, a Share Buy Back carried out by the Company could prima facie result in the Parties being required to make a mandatory offer for all the Shares of the Company under Rule 14 of the Take-over Code.

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## LETTER TO SHAREHOLDERS

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Under Appendix 2 Share Buy-Back Guidance Note of the Take-over Code, the Parties will be exempted from the requirement under Rule 14 to make a general offer for Shares held by other Shareholders in the event that the shareholdings of the Parties increases by more than one per cent. (1%) in any six (6)-month period as a result of any Share Buy Back carried out pursuant to the Share Buy Back Mandate, subject to the following conditions:-

- (a) the circular on the resolution to approve the Share Buy Back Mandate contains advice to the effect that by voting to approve the Share Buy Back Mandate, Shareholders are waiving their rights to a general offer at the required price from the Parties and their parties acting in concert; and the names of the Parties and their voting rights at the time of the resolution and after the proposed Share Buy Back are disclosed in the same circular;
- (b) the resolution to authorise the Share Buy Back Mandate is approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make an offer as a result of the proposed Share Buy Back;
- (c) the Parties and their parties acting in concert, if any, abstain from voting for and/or recommending shareholders to vote in favour of the resolution to approve the proposed Share Buy Back Mandate;
- (d) within 7 days after the passing of the resolution to authorise a buy-back, each of the Parties to submit to the SIC a duly signed form as prescribed by the SIC;
- (e) the Parties and their parties acting in concert, if any, have not acquired and will not acquire any Shares between the date on which they know that the announcement of the proposed Share Buy Back Mandate is imminent and the earlier of:-
  - (i) the date on which authority of the proposed Share Buy Back Mandate expires; and
  - (ii) the date on which the Company announces it has bought back such number of Shares as authorised by the Share Buy Back Mandate or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the proposed Share Buy Back, would cause their aggregate voting rights to increase by more than one per cent. (1%) in the preceding six (6) months.

If the Company ceases to buy back its Shares and the increase in the voting rights held by the Parties and their parties acting in concert, if any, as a result of the proposed Share Buy Back at the time of such cessation is less than one per cent. (1%) in any six (6)-month period, the Parties and their parties acting in concert, if any, will be allowed to acquire Shares. However, any increase in the percentage of voting rights in the Company of the Parties and their concert parties, if any, as a result of the proposed Share Buy Back will be taken into account together with any voting rights acquired by the Parties and their parties acting in concert, if any, (by whatever means) in determining whether they have increased their aggregate voting rights in the Company by more than one per cent. (1%) in any six (6)-month period.

**Shareholders should note that by voting for the Share Buy Back Mandate, they are waiving their rights to a take-over offer by the Parties in the circumstances set out above. Such a take-over offer, if required to be made and had not been exempted by SIC, would have to be made in cash or be accompanied by a cash alternative at not less than the highest price (excluding stamp duty and commission) paid by the Parties for any Share within the preceding six (6) months.**

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## LETTER TO SHAREHOLDERS

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Save as disclosed above, the Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Takeover Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Buy Back Mandate.

**Shareholders are advised to consult their professional advisers and/or the SIC and/or relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any Share Buy Back pursuant to the Share Buy Back Mandate.**

### 3.11 No Share Buy Backs in the Previous Twelve (12) Months

According to the Act, when seeking the approval of Shareholders for the renewal of the Share Buy Back Mandate, the Company is required to disclose details pertaining to purchases of Shares made by the Company during the previous 12 months, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, and where relevant, the total consideration paid for such purchases.

The Company has not made any share buy backs in the 12 months preceding the date of this Circular.

## 4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and Substantial Shareholders in the Company on the Register of Directors' Shareholdings and the Register of Substantial Shareholders as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest		Aggregate Interest	
	('000 Shares)	%	('000 Shares)	%	('000 Shares)	%
<b><u>Directors</u></b>						
Cai Kaoqun	–	–	123,084	34.97	123,084	34.97
Yang Jinbiao	–	–	19,200	5.45	19,200	5.45
Cai Kaobing	–	–	19,200	5.45	19,200	5.45
Hau Khee Wee	200	0.06	–	–	200	0.06
Ho Chew Thim	–	–	–	–	–	–
Lim Yit Keong	–	–	–	–	–	–
Li Zhiqiang	950	0.27	–	–	950	0.27
<b><u>Substantial Shareholders (other than Directors)</u></b>						
China Hongda Holdings Limited <sup>(1)</sup>	123,084	34.97	–	–	123,084	34.97
Good Moral Technology Limited <sup>(2)</sup>	19,200	5.45	–	–	19,200	5.45

#### Notes:

- (1) Mr Cai Kaoqun is deemed to be interested in the 123,084,000 Shares held by China Hongda Holdings Limited by virtue of his shareholding of 100% voting shares in China Hongda Holdings Limited.
- (2) Both Mr Yang Jinbiao and Mr Cai Kaobing are deemed to be interested in the 19,200,000 Shares held by Good Moral Technology Limited by virtue of their shareholding of 50% voting shares each in Good Moral Technology Limited.

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## LETTER TO SHAREHOLDERS

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### 5. DIRECTORS' RECOMMENDATION

- 5.1 The Directors, having reviewed the terms and conditions of the Sale Agreement, the rationale, benefits and risks of the Proposed Disposal and the financial effects thereof, are of the opinion that the Proposed Disposal is in the best interests of the Company and accordingly recommend that the Shareholders vote in favour of the Proposed Disposal at the EGM to be convened by the Company.
- 5.2 The Directors, other than Cai Kaoqun and Cai Kaobing who are abstaining from making any recommendation to Shareholders pursuant to the conditions under Appendix 2 Share Buy-Back Guidance Note of the Take-over Code as set out in Section 3.10(iv) of this Circular, are of the opinion that the proposed renewal of the Share Buy Back Mandate is in the interests of the Company and, accordingly, recommend that Shareholders vote in favour of the Resolution in respect of the renewal of the Share Buy Back Mandate to be proposed at the EGM.

### 6. ABSTENTION FROM VOTING

- 6.1 No shareholders (including the Purchaser) shall be required to abstain from voting on the Resolution relating to the Proposed Disposal.
- 6.2 Each of Cai Kaoqun and Cai Kaobing will abstain from voting as shareholders, and each have undertaken to ensure that his respective Associates will abstain from voting in respect of the Resolution relating to the renewal of the Share Buy Back Mandate. Further, each of Mr Cai Kaoqun and Mr Cai Kaobing undertakes to decline, and shall ensure that his Associates shall decline, to accept appointment as proxies to vote at and attend the forthcoming EGM in respect of the said Resolution unless the Shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast at the EGM.

### 7. EXTRAORDINARY GENERAL MEETING

An EGM, notice of which is set out on pages 50 to 52 of this Circular, will be held on 25 July 2014 at 10 a.m. (or such time immediately following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 9 a.m. on the same day) at SGX Centre 2, #17-01, 4 Shenton Way, Singapore 068807 for the purpose of considering and, if thought fit, passing with or without modifications, the resolutions set out in the Notice of EGM on pages 50 to 52 of this Circular.

### 8. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote on their behalf should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon and as soon as possible and, in any event, so as to arrive at the registered office of the Company at SGX Centre 2, #17-00, 4 Shenton Way, Singapore 068807 not less than forty eight (48) hours before the time appointed for holding the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he subsequently so wishes to do so, in place of his proxy, although the appointment of the proxy shall be deemed to be revoked by such attendance.

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 name appears of the Depository Register as at 48 hours before the EGM.

### 9. 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 enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal and the proposed renewal of the Share Buyback Mandate, the Company, its Subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

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## LETTER TO SHAREHOLDERS

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

### 10. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at SGX Centre 2, #17-00, 4 Shenton Way, Singapore 068807 during normal business hours from the date of this Circular up to and including the date of the EGM:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Sale Agreement;
- (c) the valuation report dated 6 March 2014 prepared by the Valuer; and
- (d) the annual report of the Company for the FY2014.

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



## APPENDIX A

### INCOME STATEMENT OF THE SALE ENTITIES AT COMPANY LEVEL EXTRACTED FROM THE AUDITED FINANCIAL STATEMENT OF THE GROUP WITHOUT ADJUSTMENT FOR GROUP CONSOLIDATION ENTRIES

	At Company Level		
	KMI	KMS	CCL
	2014	2014	2014
	HK\$'000	HK\$'000	HK\$'000
<b><u>Continuing operations</u></b>			
<b>Revenue</b>	9,764	67,749	27,329
Cost of sales	(9,652)	(58,116)	(23,744)
<b>Gross profit</b>	112	9,633	3,585
<b>Other items of income</b>			
Interest income	–	4,837	3
Other income	–	261	1,748
<b>Other items of expense</b>			
Selling and distribution expenses	(53)	(3,826)	(81)
General and administrative expenses	(1,454)	(18,166)	(7,957)
Finance costs	(9)	(3,955)	(3,361)
Other expenses	(332)	(25,587)	(3)
<b>Loss before tax from continuing operations</b>	(1,736)	(36,803)	(6,066)
Income tax expense	–	–	–
<b>Loss from continuing operations, net of tax</b>	(1,736)	(36,803)	(6,066)
<b><u>Discontinued operation</u></b>			
<b>Loss from discontinued operation, net of tax</b>	–	–	–
<b>Loss for the year</b>	(1,736)	(36,803)	(6,066)
<b>Attributable to:</b>			
<b>Owners of the Company</b>			
Loss from continuing operations, net of tax	(1,736)	(36,803)	(3,276)
Loss from discontinued operation, net of tax	–	–	–
<b>Loss for the year attributable to owners of the Company</b>	(1,736)	(36,803)	(3,276)
<b>Non-controlling interests</b>			
Loss from continuing operations, net of tax	–	–	(2,790)
Loss from discontinued operation, net of tax	–	–	–
<b>Loss for the year attributable to non-controlling interests</b>	–	–	(2,790)

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## APPENDIX A

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### CONSOLIDATED INCOME STATEMENT OF THE SALE ENTITIES EXTRACTED FROM THE AUDITED FINANCIAL STATEMENT OF THE GROUP

	<b>Consolidated 2014 HK\$'000</b>
<b><u>Continuing operations</u></b>	
<b>Revenue</b>	95,190
Cost of sales	(81,854)
<b>Gross profit</b>	<u>13,336</u>
<b>Other items of income</b>	
Interest income	3,159
Other income	1,902
<b>Other items of expense</b>	
Selling and distribution expenses	(3,960)
General and administrative expenses	(30,790)
Finance costs	(5,644)
Other expenses	(26,611)
<b>Loss before tax from continuing operations</b>	<u>(48,608)</u>
Income tax expense	–
<b>Loss from continuing operations, net of tax</b>	<u>(48,608)</u>
<b><u>Discontinued operation</u></b>	
<b>Loss from discontinued operation, net of tax</b>	<u>(2,015)</u>
<b>Loss for the year</b>	<u><u>(50,623)</u></u>
<b>Attributable to:</b>	
<b>Owners of the Company</b>	
Loss from continuing operations, net of tax	(45,818)
Loss from discontinued operation, net of tax	(1,209)
<b>Loss for the year attributable to owners of the Company</b>	<u><u>(47,027)</u></u>
<b>Non-controlling interests</b>	
Loss from continuing operations, net of tax	(2,790)
Loss from discontinued operation, net of tax	(806)
<b>Loss for the year attributable to non-controlling interests</b>	<u><u>(3,596)</u></u>

## APPENDIX A

### BALANCE SHEETS OF THE SALE ENTITIES AT COMPANY LEVEL EXTRACTED FROM THE AUDITED FINANCIAL STATEMENT OF THE GROUP WITHOUT ADJUSTMENT FOR GROUP CONSOLIDATION ENTRIES

	KMI 2014 HK\$'000	KMS 2014 HK\$'000	CCL 2014 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	46,502	44,952	–
Property, plant and equipment	184	–	21,062
Intangible assets	–	–	–
Land use rights	–	–	6,464
Prepayments	–	–	–
	46,686	44,952	27,526
<b>Current assets</b>			
Inventories	–	32,686	2,763
Trade and other receivables	733	14,330	12,749
Prepayments	–	1,675	62
Amounts due from related parties	–	–	–
Cash and short-term deposits	569	16,965	2,085
	1,302	65,656	17,659
Assets of disposal group classified as held for sale	–	–	–
	1,302	65,656	17,659
<b>Total assets</b>	47,988	110,608	45,185
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	–	18,197	13,052
Other liabilities	9,241	8,744	1,130
Amounts due to related parties	32,647	26,309	13,675
Loans and borrowings	–	18,717	10,419
Deferred government grants	–	4,498	–
Income tax payable	961	(1,891)	–
	42,849	74,574	38,276
Liabilities directly associated with disposal group classified as held for sale	–	–	–
	42,849	74,574	38,276
<b>Net current assets</b>	(41,547)	(8,918)	(20,617)
<b>Non-current liabilities</b>			
Deferred government grants	–	6,613	–
	–	6,613	–
<b>Total liabilities</b>	42,849	81,187	38,276
<b>Net assets</b>	5,139	29,421	6,909

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**APPENDIX A**

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**BALANCE SHEETS OF THE SALE ENTITIES AT COMPANY LEVEL EXTRACTED FROM THE  
AUDITED FINANCIAL STATEMENT OF THE GROUP WITHOUT ADJUSTMENT FOR GROUP  
CONSOLIDATION ENTRIES**

	<b>KMI</b>	<b>KMS</b>	<b>CCL</b>
	<b>2014</b>	<b>2014</b>	<b>2014</b>
	HK\$'000	HK\$'000	HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	1,000	46,502	35,568
Accumulated profits/(losses)	4,139	(27,712)	(31,006)
Statutory reserve	–	2,928	790
Foreign currency translation reserve	–	7,703	1,557
	<u>5,139</u>	<u>29,421</u>	<u>6,909</u>
<b>Non-controlling interests</b>	–	–	–
<b>Total equity</b>	<u>5,139</u>	<u>29,421</u>	<u>6,909</u>
<b>Total equity and liabilities</b>	<u>47,988</u>	<u>110,608</u>	<u>45,185</u>

## APPENDIX A

### CONSOLIDATED BALANCE SHEET OF THE SALE ENTITIES EXTRACTED FROM THE AUDITED FINANCIAL STATEMENT OF THE GROUP

	2014 HK\$'000
<b>ASSETS</b>	
<b>Non-current assets</b>	
Investment in subsidiaries	–
Property, plant and equipment	22,137
Intangible assets	–
Land use rights	6,464
Prepayments	–
	28,601
<b>Current assets</b>	
Inventories	35,505
Trade and other receivables	25,005
Prepayments	5,992
Amounts due from related parties	–
Cash and short-term deposits	19,620
	86,122
Assets of disposal group classified as held for sale	42,062
	128,184
<b>Total assets</b>	156,785
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Trade and other payables	34,343
Other liabilities	23,341
Amounts due to related parties	73,427
Loans and borrowings	29,136
Deferred government grants	4,498
Income tax payable	(931)
	163,814
Liabilities directly associated with disposal group classified as held for sale	19,550
	183,364
<b>Net current assets</b>	(55,180)
<b>Non-current liabilities</b>	
Deferred government grants	6,613
	6,613
<b>Total liabilities</b>	189,977
<b>Net liabilities</b>	(33,192)

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**APPENDIX A**

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**CONSOLIDATED BALANCE SHEET OF THE SALE ENTITIES EXTRACTED FROM THE  
AUDITED FINANCIAL STATEMENT OF THE GROUP**

	<b>2014</b>
	HK\$'000
<b>EQUITY</b>	
<b>Equity attributable to owners of the Company</b>	
Share capital	1,000
Accumulated losses	(54,125)
Statutory reserve	2,928
Foreign currency translation reserve	7,236
	<hr/>
	(42,961)
<b>Non-controlling interests</b>	9,769
	<hr/>
<b>Total equity</b>	<b>(33,192)</b>
	<hr/>
<b>Total equity and liabilities</b>	<b>156,785</b>
	<hr/>

## APPENDIX B

### PROFORMA INCOME STATEMENTS AND BALANCE SHEETS OF THE GROUP BEFORE AND AFTER THE PROPOSED DISPOSAL

	2014	
	Before The Proposed Disposal	After The Proposed Disposal*
	HK\$'000	HK\$'000
<b><u>Continuing operations</u></b>		
<b>Revenue</b>	302,157	206,967
Cost of sales	(273,810)	(191,956)
<b>Gross profit</b>	28,347	15,011
<b>Other items of income</b>		
Interest income	4,233	1,785
Other income	2,876	12,214
<b>Other items of expense</b>		
Selling and distribution expenses	(15,135)	(11,175)
General and administrative expenses	(54,551)	(23,761)
Finance costs	(4,933)	–
Other expenses	(43,361)	(12,134)
<b>Loss before tax from continuing operations</b>	(82,524)	(18,060)
Income tax expense	(603)	(603)
<b>Loss from continuing operations, net of tax</b>	(83,127)	(18,663)
<b><u>Discontinued operation</u></b>		
<b>Loss from discontinued operation, net of tax</b>	(2,015)	–
<b>Loss for the year</b>	(85,142)	(18,663)
<b>Attributable to:</b>		
<b>Owners of the Company</b>		
Loss from continuing operations, net of tax	(71,847)	(10,173)
Loss from discontinued operation, net of tax	(1,209)	–
<b>Loss for the year attributable to owners of the Company</b>	(73,056)	(10,173)
<b>Non-controlling interests</b>		
Loss from continuing operations, net of tax	(11,280)	(8,490)
Loss from discontinued operation, net of tax	(806)	–
<b>Loss for the year attributable to non-controlling interests</b>	(12,086)	(8,490)

\* Assuming the Proposed Disposal was completed on 1 April 2014.

## APPENDIX B

### PROFORMA INCOME STATEMENTS AND BALANCE SHEETS OF THE GROUP BEFORE AND AFTER THE PROPOSED DISPOSAL

	2014	
	Before The Proposed Disposal	After The Proposed Disposal**
	HK\$'000	HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in subsidiaries	–	–
Property, plant and equipment	24,063	1,926
Intangible assets	–	–
Land use rights	6,464	–
Prepayments	4,792	4,792
	35,319	6,718
<b>Current assets</b>		
Inventories	60,024	24,519
Trade and other receivables	89,003	63,998
Prepayments	14,469	8,477
Amounts due from related parties	–	–
Cash and short-term deposits	38,621	56,023
	202,117	153,017
Assets of disposal group classified as held for sale	42,062	–
	244,179	153,017
<b>Total assets</b>	279,498	159,735
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	112,542	78,199
Other liabilities	34,339	10,998
Amounts due to related parties	924	924
Loans and borrowings	29,136	–
Deferred government grants	6,370	1,872
Income tax payable	4,883	5,814
	188,194	97,807
Liabilities directly associated with disposal group classified as held for sale	19,550	–
	207,744	97,807
<b>Net current assets</b>	36,435	55,210
<b>Non-current liabilities</b>		
Deferred government grants	6,613	–
	6,613	–
<b>Total liabilities</b>	214,357	97,807
<b>Net assets</b>	65,141	61,928



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## APPENDIX B

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### PROFORMA INCOME STATEMENTS AND BALANCE SHEETS OF THE GROUP BEFORE AND AFTER THE PROPOSED DISPOSAL

	2014	
	Before The Proposed Disposal HK\$'000	After The Proposed Disposal** HK\$'000
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	145,057	145,057
Accumulated losses	(32,765)	(48,587)
Restructuring reserve	(106,937)	(74,397)
Statutory reserve	2,928	–
Foreign currency translation reserve	26,560	19,324
	<hr/>	<hr/>
	34,843	41,397
<b>Non-controlling interests</b>	30,928	20,531
<b>Total equity</b>	<hr/>	<hr/>
	65,141	61,928
	<hr/>	<hr/>
<b>Total equity and liabilities</b>	<hr/>	<hr/>
	279,498	159,735

\*\* Assuming the Proposed Disposal was completed on 31 March 2014.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 200712727W)

Unless otherwise defined, all capitalised terms herein shall bear the same meaning as used in the circular dated 10 July 2014 issued by China Kunda Technology Holdings Limited.

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (the “**EGM**”) of China Kunda Technology Holdings Limited (the “**Company**”) will be held on 25 July 2014 at 10 a.m. (or such time immediately following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 9 a.m. on the same day) at SGX Centre 2, #17-01, 4 Shenton Way, Singapore 068807 for the purpose of considering and, if thought fit, passing with or without any amendments, the following resolutions:

#### AS ORDINARY RESOLUTIONS

##### RESOLUTION 1: THE PROPOSED DISPOSAL

###### THAT:

- (a) approval be and is hereby given for the Proposed Disposal on the terms and subject to the conditions of the Sale Agreement, entered into between the Company and the Purchaser, as well as any other transactions contemplated under the Sale Agreement; and
- (b) the Directors are hereby authorised to complete and do and/or procure to be done all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give full effect to this Resolution.

##### RESOLUTION 2: THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE

###### THAT:

- (a) for the purposes of the Companies Act (Chapter 50) (the “**Companies Act**”), the exercise by the Directors of the Company of all powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (“**Shares**”), not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
  - (i) market purchase(s) (each a “**Market Purchase**”) on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”); and/or
  - (ii) off-market purchase(s) (each an “**Off-Market Purchase**”) effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Buy Back Mandate**”);

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate in paragraph (a) of this Resolution 2 may be exercised by the Directors at any time and from time to time during the period commencing from the date of passing of this Resolution 2 and expiring on the earlier of:
  - (i) the date on which the next annual general meeting (“**AGM**”) of the Company is held;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (ii) the date on which the next AGM is required by law to be held; or
  - (iii) the date on which the purchase or acquisition of Shares are carried out to the full extent mandated;
- (c) in this Resolution 2:

**“Prescribed Limit”** means ten per cent. (10%) of the Shares of the Company as at the date of passing of this Resolution 2 unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the number of issued Shares shall be taken to be the total number of issued Shares as altered (excluding any Shares which are held as treasury shares as at that date);

**“Relevant Period”** means the period commencing from the date of the EGM at which the Share Buy Back Mandate is approved and thereafter, expiring on the date on which the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution 2; and

**“Maximum Price”** in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) to be paid for the Shares not exceeding:-

- (i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price.

where:-

**“Average Closing Price”** means the average of the closing market prices of a Share over the last five market days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

**“date of the making of the offer”** means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

- (d) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Share Buy Back by the Company, pursuant to the Share Buy Back Mandate in any manner as they think fit, which is permissible under the Companies Act; and
- (e) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated by this Resolution 2.

**BY ORDER OF THE BOARD  
CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED**

**CAI KAOQUN**  
Executive Director  
Singapore  
10 July 2014

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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**Notes:**

- 1 A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
- 2 The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 4 Shenton Way, #17-01 SGX Centre 2, Singapore 068807, not less than forty eight (48) hours before the time appointed for the meeting.

# PROXY FORM

## CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

(the "Company")  
 (Incorporated in the Republic of Singapore)  
 (Company Registration No. 200712727W)

### IMPORTANT

- 1 For investors who have used their CPF monies to buy the Company's shares, this Circular is sent to them at the request of their CPF Approved Nominees 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.

I/We \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a \*member/members of the Company hereby appoint

Name	Address	*NRIC/Passport No.	Proportion of Shareholdings (%)

\*and/or

Name	Address	*NRIC/Passport No.	Proportion of Shareholdings (%)

or failing \*him/her/them, the Chairman of the Extraordinary General Meeting of the Company as \*my/our \*proxy/proxies to vote for \*me/us on \*my/our behalf at the Extraordinary General Meeting of the Company to be held on 25 July 2014 at 10 a.m. (or such time immediately following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 9 a.m. on the same day) at SGX Centre 2, #17-01, 4 Shenton Way, Singapore 068807 and at any adjournment thereof.

\*I/We direct \*my/our \*proxy/proxies to vote for or against the ordinary resolution to be proposed at the Extraordinary General Meeting as indicated hereunder WITH AN "x" in the spaces provided hereunder. If no specific directions as to voting are given, the \*proxy/proxies will vote or abstain from voting at \*his/their discretion.

The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

\* Please delete accordingly

	To be used on a show of hands		To be used in the event of a poll	
	For <sup>1</sup>	Against <sup>1</sup>	No. of Votes For <sup>2</sup>	No. of Votes Against <sup>2</sup>
<b>ORDINARY RESOLUTIONS</b>				
<b>Resolution 1</b> Approval for the Proposed Disposal				
<b>Resolution 2</b> Approval for the proposed renewal of the Share Buy Back Mandate				

### Notes:

- 1 Please indicate your vote "For" or "Against" with an "x" within the box provided
- 2 If you wish to exercise all your votes "For" or "Against", please indicate with an "x" within the box provided. Alternatively, please indicate the number of votes as appropriate

All capitalised terms used in this Proxy Form which are not defined herein shall unless the context otherwise requires have the same meanings ascribed to them in the Company's Circular to Shareholders dated 10 July 2014 (including supplements and modifications thereto).

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2014.

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

\_\_\_\_\_  
 Signature of Shareholder(s)  
 or, Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM**



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## PROXY FORM

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**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. 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 member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
- 3 The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 4 Shenton Way, #17-02 SGX Centre 2, Singapore 068807 not less than forty eight (48) hours before the time appointed for the meeting.
- 4 Where a member appoints two 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 appointor 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 submission of an instrument or form appointing a proxy by a shareholder does not preclude him from attending and voting in person at the EGM if he so wishes.
- 9 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 forty eight (48) hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

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