

PROGRESS AHEAD

ANNUAL REPORT 2020



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This annual report has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “Sponsor”) in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalyst.

This annual report has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr Joseph Au, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and Email: sponsorship@ppcf.com.sg).



China Kunda Technology Holdings Limited is a specialist in the field of plastic injection moulding with the ability to provide plastic engineering solutions in the production of complex plastic products. We are also a provider of furniture fittings and appliances that holistically meet the requirements of every home.



■ Shenzhen

- Operations headquarter
- In-Mould Decoration and plastic injection component manufacturing facility
- Furniture fittings and appliances operation

CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present China Kunda Technology Holdings Limited's annual report for the financial year ended 31 March 2020 ("**FY2020**").

The Group's current business is largely contributed by electronics manufacturers in the People's Republic of China ("**PRC**"), who supply their products to the domestic and international markets. The past financial year had been a challenging year for the Group as it continued to operate under a highly competitive environment in the midst of rising costs. Nonetheless, the Group had made some progress in developing new products and sales channels.

In FY2020, our revenue increased by 5.4% as compared to the financial year ended 31 March 2019 ("**FY2019**"), mainly due to increase in sales from both business segments, In-Mould Decoration and the Plastic Injection Parts Business (collectively, the "**IMD Business**") and Furniture business. As a result of lower other income, higher operating expenses and the absence of net profit from discontinued operation, the Group recorded a net loss of HK\$6.7 million in FY2020 as compared to HK\$3.7 million in FY2019.

The unexpected advent of the novel coronavirus 2019 ("**COVID-19**") pandemic had caused some delays in the resumption of full-scale production after the Lunar New Year holidays. As such, the revenue in the fourth quarter of financial year ended 31 March 2020 ("**4Q2020**") had been adversely affected. The Group, as well as its major customers

and suppliers, had complied with the precautionary and control measures as directed by the relevant authorities in PRC and resumed full operation in March 2020. Currently, the COVID-19 pandemic in the PRC is largely under control and the PRC market demand and supply chain are also gradually recovering. Since March 2020, the Group has been collaborating with its strategic business partners to supply thermometers. The Group believes that the global demand of thermometers and other related homecare electronic products would increase in the short term, especially in the countries that are being hit by the pandemic outbreak, and this business opportunity will allow the Group to improve its financial performance and to help alleviate shortages of thermometers in the global markets. We also expect that the revenue of our IMD Business and Furniture Business will slowly ramp up in FY2021.

In view of the foregoing, the Group is expected to incur losses in the short-term. As at 31 March 2020, our balance sheet remained healthy with net working capital of HK\$43.3 million, of which cash and short-term deposits was HK\$32.6 million and zero borrowings.

Our strategy is to seek new customers from different industries and at the same time secure additional contracts from existing customers. We aim to continue to leverage on our technology and expertise to explore new product ranges and sales channels that provide scalability and sustainability for our core businesses. In addition, we will continue to improve the existing operations through optimising productivity and strengthening collaboration with our existing and potential business partners.

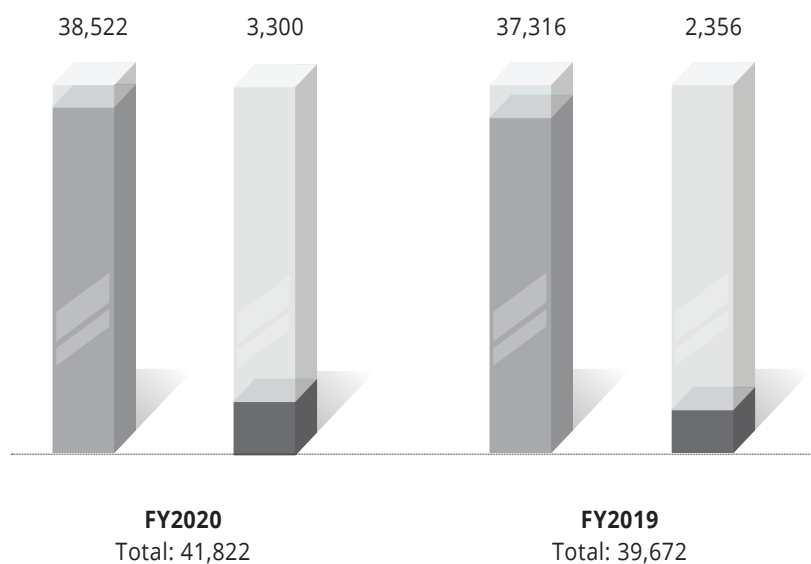
We are also constantly improving our current business models and asset deployment for both our business segments. We will continue to assess new business opportunities and potential acquisition of new businesses with long term prospects that is expected to improve the overall financial position of the Group. On this note, we had announced our proposal to diversify our core business to include the research and development, trading, manufacturing and/or marketing of medical devices and other related services ("**Proposed Business Diversification**"). An extraordinary general meeting will be held immediately after the annual general meeting to seek shareholders' approval for the Proposed Business Diversification.

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

Cai Kaoqun
Executive Chairman and CEO

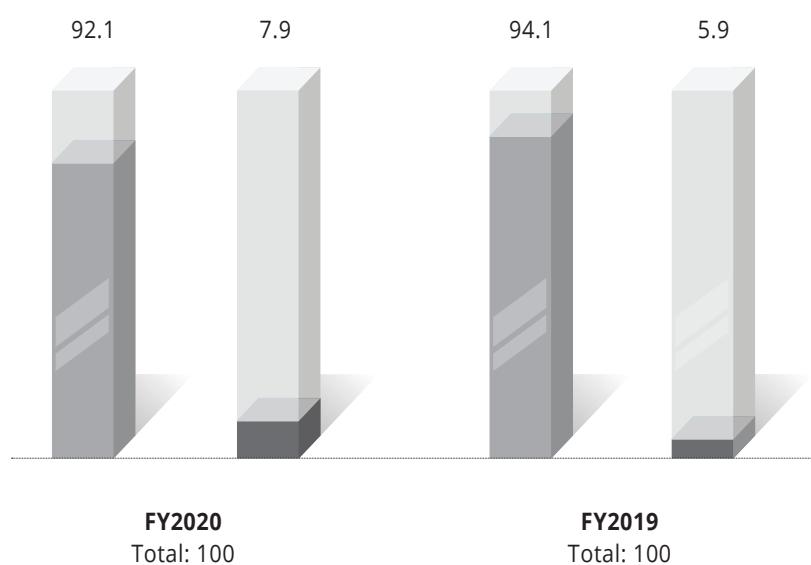
Sales by Business Segment HK\$'000

- IMD and Plastic Injection Parts
- Furniture, Fittings and Appliances



Sales Mix %

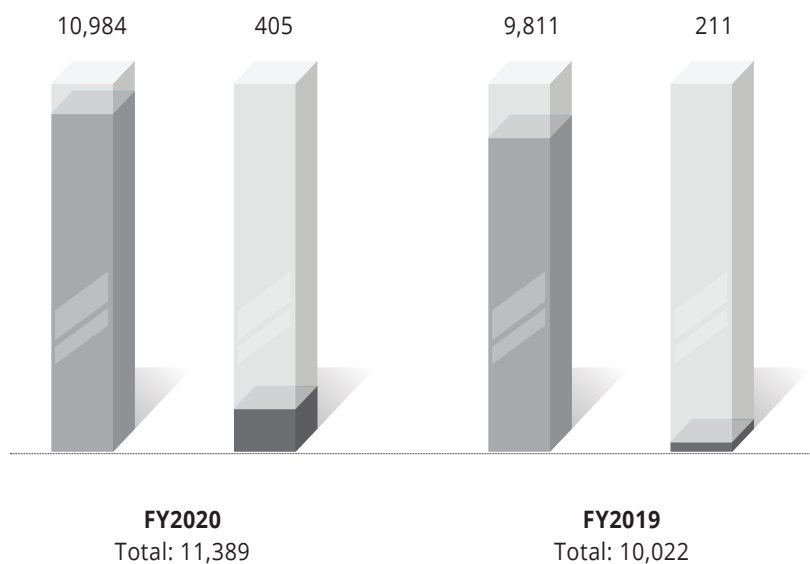
- IMD and Plastic Injection Parts
- Furniture, Fittings and Appliances



OPERATIONS REVIEW

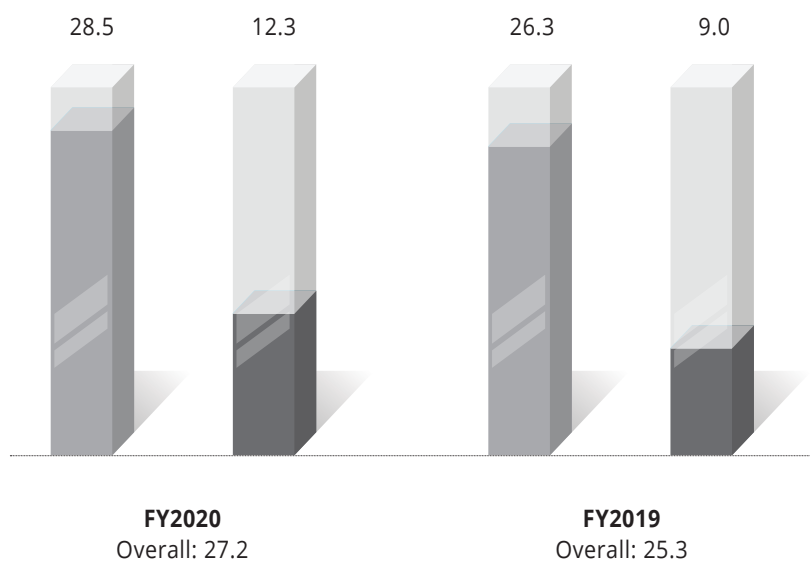
Gross Profit HK\$'000

- IMD and Plastic Injection Parts
- Furniture, Fittings and Appliances



Gross Profit Margin %

- IMD and Plastic Injection Parts
- Furniture, Fittings and Appliances



Review of Income Statement

Revenue and Gross Margin

IMD Business

IMD revenue increased by 3.2% in FY2020 as compared to FY2019, mainly attributed to the Group's efforts to secure new customers and additional contracts from the existing customers, such as sales of IMD and plastic injection parts to the customers in consumer electronics, electrical appliances and medical devices industries. In view of the improved capacity utilisation rate and tighter cost control, the gross margin improved from 26.3% in FY2019 to 28.5% in FY2020.

Furniture Business

In the third quarter of the financial year ended 31 March 2019 ("**3Q2019**"), the Group commenced the manufacture and distribution of furniture, appliances and other related activities ("**Furniture Business**"). In FY2020, the Group recorded a 40.1% growth from its Furniture Business revenue as a result of increase in sales of kitchen cabinets and kitchen appliances. With the increase in revenue and higher margins from the sales of customised cabinetry products, the gross margin improved from 9.0% in FY2019 to 12.3% in FY2020.

Other items of income

As compared to the preceding comparative year, other items of income in FY2020 decreased by 48.1%. The decrease in other items of income was mainly due to the decrease in unrealised foreign exchange gains arising mainly from the translation of inter-company balances within the Group, and absence of net foreign exchange translation gain reclassified from foreign currency translation reserve to income statement following the disposal of automobile component business in Beijing. The decrease in other items of income was partially offset by an increase in sale of raw materials and scrap materials from the IMD Business, an increase in government grants related to a non-recurring deferred government subsidy of HK\$0.2 million recorded as an income in FY2020 following the fulfilment of the grant conditions, and a reversal of impairment loss on inventories of HK\$0.2 million upon utilisation and disposal of slow-moving IMD inventories which was not incurred in FY2019.

Other items of expenses

Despite the growth in revenue, selling and distribution expenses decreased by 16.6% in FY2020 as compared to FY2019. This trend is mainly due to decrease in advertising expenses and other start-up marketing expenses incurred for the Furniture Business which commenced operations in 3Q2019. General and administrative expenses increased by 17.3% in FY2020 as compared to FY2019, mainly due to increase of HK\$2.2 million in employee benefit expenses, rental expenses, amortisation of renovation costs and other administrative expenses for the Furniture Business which commenced operations in 3Q2019. In addition, the increase in general and administrative expenses is due to an increase

in research and product testing expenses of HK\$0.3 million for the Group's IMD business and Furniture business, which arose from the development of new products as well as research activities for potential investment opportunities.

In FY2020, the Group recorded other expenses relating to impairment loss on trade receivables of HK\$39,000 for the Group's IMD business, that arose from an increase in uncertainty of collectability, as compared to impairment losses of HK\$0.4 million on inventories and trade receivables in FY2019.

Arising from the above, the Group recorded a net loss from its continuing operations of HK\$6.7 million in FY2020 as compared to HK\$4.8 million in FY2019.

Discontinued operation

Following the completion of the disposal of automobile component business in Beijing in 2Q2019, no revenue or expense in relation to the automobile component business was recorded in FY2020.

Financial Position

Non-current assets

The decrease in property, plant and equipment is mainly due to depreciation charges of HK\$2.0 million recorded in FY2020 and foreign currency translation loss of HK\$0.4 million. This is partially offset by additions of HK\$1.6 million mainly relating to acquisition of plant and equipment for both business segments.

As at 31 March 2020, intangible assets comprised computer software from our Furniture Business.

Current assets

In preparation of sales of thermometers for subsequent quarters, inventories increased from HK\$2.9 million as at 31 March 2019 to HK\$6.3 million as at 31 March 2020, mainly due to increase in work-in-progress which mainly comprised of infrared probes, Printed Circuit Board ("**PCB**") modules, display screens, moulds and other accessories and materials used for the production of thermometers.

Trade and other receivables of the Group as at 31 March 2020 decreased by 11.9% as compared to 31 March 2019, mainly due to decrease in combined trade and bill receivables from our IMD Business and Furniture Business. This trend is in tandem with the decline in revenue in the fourth quarter of financial year ended 31 March 2020 ("**4Q2020**").

Prepayments increased from HK\$1.1 million as at 31 March 2019 to HK\$7.7 million as at 31 March 2020, mainly due to a HK\$3.6 million deposit made by the Group in March 2020 for procurement of infrared probes, PCB modules, display screens and other components for the production of thermometers, and a HK\$3.1 million prepayment made in March 2020 for the

OPERATIONS REVIEW

sub-contracting charges to manufacture thermometers as abovementioned.

Amount due from related parties at the Company level relates to receivables from subsidiaries within the Group. Amount due from related parties at the Group level as at 31 March 2019 mainly relates to the factory rental of the Furniture Business, which was paid in advance to Shenzhen Kunda Precision Mould Co., Ltd. This amount was realised and reflected in the income statement in 1Q2020.

Current liabilities

Trade and other payables of the Group as at 31 March 2020 decreased by 13.4% as compared to 31 March 2019, mainly due to decrease in trade and other payables from the IMD Business. This trend is in tandem with the decline of sales and production volume in 4Q2020.

Other liabilities as at 31 March 2020 increased by 5.2% as compared to 31 March 2019, mainly due to an increase of HK\$0.7 million in customer advances from IMD business as a result of upfront payment received for the sales of thermometers. This is partially offset by a decrease in value added tax and other tax payables and accrued operating expenses of HK\$0.3 million. This trend is in tandem with sales and production volume decline from both the IMD business and Furniture Business in 4Q2020.

The increase in amount due to related parties mainly pertains to the accrual of rental expenses of the factory premise at Bao Long Yi Road during the financial period.

In FY2020, the deferred government grant was recorded as an income in the income statement following the fulfilment of the grant conditions.

Cash Flow

In FY2020, the Group's cash and cash equivalents decreased by HK\$43.1 million.

In FY2020, net cash flow used in operating activities was mainly due to working capital cash outflow of HK\$8.9 million and operating cash outflow before working capital changes of HK\$5.8 million, partially offset by interest received of HK\$0.6 million. The working capital cash outflow in FY2020 mainly arose from an increase in prepayments of HK\$6.8 million, an increase in inventories of HK\$3.5 million and a decrease in trade and other payables of HK\$0.4 million, which was partially offset by an increase in other liabilities of HK\$0.9 million, a decrease in trade and other receivables of HK\$0.5 million and an increase in amount due to related parties of HK\$0.3 million. The increase in overall working capital was mainly attributed to an increase in inventories and prepayments for the production of thermometers which commenced in March 2020.

The Group also utilised HK\$29.0 million in FY2020 in investing activities, which mainly relates to a placement of a 6-month

fixed deposit of HK\$27.4 million with the bank in the People's Republic of China and acquisition of plant and equipment of HK\$ 1.6 million for both business segments.

There was no cash utilised or generated from financing activities in FY2020.

Impact of Coronavirus Disease 2019 ("COVID-19") pandemic

Since January 2020, the outbreak of the COVID-19 pandemic has adversely impacted the Group's IMD Business and Furniture Business in 4Q2020 due to prolonged factory closure from January 2020 to February 2020. The Group's revenue decreased from HK\$10.6 million in the third quarter of financial year ended 31 March 2020 ("3Q2020") to HK\$6.0 million in 4Q2020. Hence, the Group's net loss increased from HK\$1.6 million in 3Q2020 to HK\$3.0 million in 4Q2020. As at 31 March 2020, the Group's net working capital was HK\$43.3 million, of which cash and short-term deposits amounted to HK\$32.6 million. As such, the Group believes that there are no significant threats to the Group's liquidity as well as ability to operate on going concern basis. Barring unforeseen circumstances, the Group does not expect any material impairments to its assets as of the date of this annual report.

The Group, as well as its major customers and suppliers, have been implementing a series of precautionary and control measures, as directed by the relevant authorities in PRC and resumed full operations in March 2020. As of the date of this annual report, none of the employees have been infected by the COVID-19.

As highlighted in the Chairman Statement of this annual report, in view of the thermometer shortage in global market amidst the COVID-19 pandemic outbreak, one of the Group's wholly owned subsidiaries, Kunda Plastic Electronics Co. Ltd. ("KPE") started outsourcing the production of a homecare electronic product i.e. non-contact infrared thermometers ("Thermometers") in March 2020 for sales. Thermometer sales revenue in the first quarter of FY2021 has been recorded and both revenue and expenses will be cautiously managed in order to look out for other strategic opportunities during this COVID-19 pandemic and beyond.

Looking Ahead

FY2020 had been a challenging and volatile year for the Group. It is likely that FY2021 will remain the same. The Group strongly believes in optimising growth opportunities. Despite the challenges ahead, the Group will continue to prioritise revenue growth through competitive pricing and service quality excellence as well as to build rapport with the clients to better understand their needs. The Group will continue to refine its operational workflow and resources and strengthen collaboration with the existing and potential business partners. In addition, the Group will seek out other new product range and sales channels that will provide scalability and sustainability for both businesses. The Group is confident these approaches will stand us in a good stead to seize the business opportunities in FY2021.

MR. CAI KAOQUN

Executive Chairman and CEO

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

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

MR. CAI KAOBING

Executive Director

Cai Kaobing is our Executive Director. He was appointed as our Director on 26 December 2007. He joined our Group in 1998 and assists our CEO in the overall management of our Group.

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

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



BOARD OF DIRECTORS

MR. HAU KHEE WEE

Lead Independent Director

Hau Khee Wee is our Lead Independent Director since 1 October 2019. He joined the Company as a Non-executive Director on 1 December 2017 and was re-designated as an Independent Director on 1 April 2019.

Mr Hau is currently the Group Financial Controller of Scigen Pte Ltd since October 2019 and appointed as a director of Scigen (Australia) Pty Ltd in March 2020. He is also an independent director of Imperium Crown Limited since October 2017. He has over 20 years of experience in financial management and had held senior financial position in the companies in various industries include Go Game Pte Ltd, Fullerton Healthcare Corporation Limited, China Powerplus Limited (previously known as Zhongguo Powerplus Industries Limited) and the position of audit senior in Ernst & Young. From May 2007 to March 2016, he was an Executive Director (with effect from 26 December 2007) and Chief Financial Officer of our Company.

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

MR. LAM KWONG FAI

Independent Director

Lam Kwong Fai was appointed as an independent director of our Company on 1 October 2019.

Mr Lam started his career as a regulator before moving into investment banking handling a variety of IPO and other corporate actions. He then moved into Catalist regulation, working with a wide portfolio of listed companies, advising on the listing rules and corporate governance. He set up 3 Peaks Capital Private Limited, a boutique corporate finance advisory firm and remains active in providing corporate governance advisory, financial advisory for equity and debt fund raising, financial advisory for corporate actions and independent financial advisory opinions. In his various capacities, he has amassed over 10 years of experience in the Singapore corporate finance scene. Mr Lam obtained a Bachelor of Accountancy from Nanyang Technological University in 2002.

He is also an independent director of Pan Asian Holdings Limited and Soon Lian Holdings Limited, which are listed on the SGX-ST and D'Nonce Technology Bhd, which is listed on Bursa Malaysia.

MR. LIM YIT KEONG

Independent Director

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

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

MR. CAI SINAN

Operation Manager of IMD division

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

MR. LIM KHENG ONN

Group Financial Controller

Lim Kheng Onn is our Group Financial Controller and he is responsible for overseeing and managing the accounting, finance, budgeting and taxation matters of our Group. He joined our group as Finance Manager in February 2010 and was promoted to Group Financial Controller in April 2016. From July 2004 to January 2010, he worked with Ernst and Young as an audit assistant and subsequently held the position of audit supervisor. In July 2002, Mr Lim obtained a Bachelor's degree in Accounting and Finance from University of Plymouth. He is a fellow member of the Association of Chartered Certified Accountant (United Kingdom) and a member of Institute of Singapore Chartered Accountants.

MR. HUANG YAO

*Deputy General Manager of Kunda
Plastic Electronic (Shenzhen) Company Limited*

Huang Yao is our Deputy General Manager of Kunda Plastic Electronic (Shenzhen) Company Limited. He joined our Group as project manager in March 2017 and was promoted to Deputy General Manager in May 2018. He is currently responsible for the investment projects assigned by our CEO. He has over 20 years of managerial experience in several companies in PRC. These include Guizhou Jia Yin Sheng Tai Huan Bao Company Limited (贵州佳茵生态环保有限公司), Shenzhen City Qun Da Hang Jing Mi Mo Ju Company Limited (深圳市群达行精密模具有限公司), Shenzhen City Ge Lin Hai Te Ke Ji Company Limited (深圳市格林海特科技有限公司), Shenzhen City Kai Ai Bao Zhuang Ji Su Company Limited (深圳市铠爱包装技术有限公司) and Sang Shi Da Shi Pin (Shenzhen) Company Limited 桑仕达饰品 (深圳) 有限公司. He is also an executive director of Shenzhen City Qian Hai Qi Cheng Tou Zhi Company Limited (深圳市前海启程投资有限公司). In September 1986, he obtained a Bachelor's degree in Soil Agrochemistry from College of Agriculture, Guizhou University (贵州大学农学院).

CORPORATE GOVERNANCE REPORT

China Kunda Technology Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) are committed to continually uphold high standards of good corporate governance. The Company recognises the importance of a robust and sound governance within the Group and is committed to maintaining it. Good corporate governance establishes and maintains a legal and ethical environment, which strives to preserve and enhance the interests of all shareholders.

This report outlines the Company’s corporate governance framework and practices of the Company with specific references made to the principles of the Code of Corporate Governance 2018, its related practice guidance, guidelines from Code of Corporate Governance 2012 which are still in effect (collectively the “**Code**”), and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in January 2015 (the “**Guide**”) for the financial year ended 31 March 2020 (“**FY2020**”). The Company is pleased to report that for FY2020, the Group has adhered closely with the core principles of corporate governance laid down by the Code. The Company did not adopt any alternative corporate governance practices in FY2020.

Outlined below are the policies, processes and practices adopted by the Group in compliance with the principles and spirit of the Code. Where there are any deviations from the provisions or guidelines of the Code, appropriate explanations have been provided on the reason for such variations.

1. BOARD MATTERS

1.1. THE BOARD’S CONDUCT OF AFFAIRS

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

As at the date of this report, the Board comprises the following members:

Executive Directors

Cai Kaoqun	Executive Chairman and Chief Executive Officer
Cai Kaobing	Executive Director

Non-Executive Directors

Mr. Hau Khee Wee	Lead Independent Director
Mr. Lim Yit Keong	Independent Director
Mr. Lam Kwong Fai	Independent Director

The Primary Functions of the Board

The primary role of the Board of Directors (the “**Board**”) is to lead and control the Company’s operations and affairs and to protect and enhance the long-term shareholders’ value. The Board is collectively responsible for the setting of the overall strategy and the success of the Group. Currently, the Company is headed by an effective Board comprising a majority of Independent Directors. The Board exercises close oversight over key areas in corporate governance, finance, strategy, risk management and internal controls and is supported by three Board Committees, namely the Audit Committee (“**AC**”), Remuneration Committee (“**RC**”) and Nominating Committee (“**NC**”) (collectively, the “**Board Committees**”). Each Board Committee is governed by clear terms of reference setting out the duties and authorities which have been approved by the Board.

In ensuring proper accountability within the Company, the Board supervises executive management (the “**Management**”) and holds Management accountable for performance.

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

- (a) Providing stewardship to the Company including charting its corporate strategies and business plans;
- (b) Ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;

- (c) Authorizing and monitoring major investment and strategic commitments;
- (d) Reviewing and assessing the performance of the Management (comprising executive directors (“**Executive Directors**”) and key management personnel of the Company (“**Executive Officers**”));
- (e) Overseeing the evaluation of the adequacy of internal controls, addressing risk management, financial reporting and compliance, and satisfying itself as to the sufficiency of such processes;
- (f) Establishing a framework for effective control, including the safeguarding of shareholders’ interests and the company’s assets;
- (g) Supervises the management of the businesses and affairs of the Group, and providing guidance and advice to Management;
- (h) Being responsible for corporate governance practices;
- (i) Considering sustainability issues, including environmental and social factors, as part of the Company’s strategic formulation;
- (j) Identifying key stakeholder groups of the Company and recognising that their perceptions affect the Company’s reputation; and
- (k) Setting the Company’s values and standards, including ethical standards, and ensuring that the obligations to its shareholders and other stakeholders are understood and met.

Each member of the Board has a fiduciary duty to discharge his duties and responsibilities in the best interests of the Company at all times.

Board Approval

The Board has also adopted internal guidelines and financial authority limits structure setting forth matters that require the Board’s decision or specific approval. Matters specifically reserved to the Board for its approval are clearly communicated to Management in writing, and include: -

- (a) interested persons transactions of a material nature and matters involving a conflict of interest of a substantial shareholder or a Director;
- (b) material acquisitions and disposal of assets exceeding 5% of the Group’s net asset value or mergers and acquisitions;
- (c) corporate or financial restructuring;
- (d) share issuances, interim dividends and other returns to shareholders;
- (e) release of the Group’s quarterly and full year results announcements;
- (f) acceptance of bank facilities; and
- (g) any material investments or expenditures not in the ordinary course of the Group’s businesses.

Directors facing conflicts of interest recuse themselves from meetings discussions and decisions involving the issues of conflict.

CORPORATE GOVERNANCE REPORT

Board Processes

Board Committees have been established to further assist the Board in the discharge of its responsibilities. These Board Committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The delegation of authority by the Board to the Board Committees enables the Board to achieve operational efficiency by empowering these Board Committees to decide on matters within their respective terms of reference and/or limits of delegated authority and yet maintain control over major policies and decisions. Minutes of all Board Committee meetings will be circulated to the Board so that the Directors are aware of and kept updated as to the proceedings and matters discussed during such meetings.

The Board meets on a regular basis and convenes at other times as warranted by particular circumstances to discuss the Group's key activities. Dates of the Board meetings are normally set by the Directors well in advance. In between the scheduled meetings, the Board may have informal discussions on matters requiring urgent attention, which would then be formally confirmed and approved by circulating resolutions in writing.

To facilitate the attendance and participation of the Directors at Board meetings, the Company's Constitution permits the Directors of the Company to attend meetings through the use of audio-visual communication equipment.

Directors' Attendance for Board and Board Committees Meetings

In FY2020, the number of Board and Board Committee meetings held and the attendance of each Board member are summarised in the table below:-

	Board Meetings	Board Committee Meetings		
		AC	RC	NC
No. of Meetings Held	4	4	1	1
No. of Meetings Attended				
Cai Kaoqun	4	4	1	1
Cai Kaobing	4	4	1	1
Hau Khee Wee	4	4	1	1
Lim Yit Keong	4	4	1	1
Ho Chew Thim ⁽¹⁾	2	2	1	1
Lam Kwong Fai ⁽²⁾	2	2	N.A.	

Notes:

- (1) Ho Chew Thim ceased his appointment as Lead Independent Director on 6 August 2019. He attended all Board meetings during his tenure of service in FY2020. Hau Khee Wee was re-designated as the Lead Independent Director with effect from 1 October 2019.
- (2) Lam Kwong Fai joined the Board as an Independent Non-Executive Director on 1 October 2019. He attended all Board meetings since his appointment in FY2020.

The Management and Executive Directors provide the Board with relevant and adequate information in a timely manner relating to matters to be brought before the Board, prior to Board meetings and on an on-going basis. They also update the Board on the business and strategic developments of the Group, and also highlight the salient issues as well as the risk management considerations for the Group's operations. The Board is also apprised of any significant developments, receives briefings (either in-house or externally by auditors, company secretary, Management and/or other relevant professionals and during Board or ad hoc sessions) on business initiatives, industry developments and changes to laws, regulations and accounting standards.

Board Orientation and Training

Newly appointed Directors will be briefed by the relevant members of the Management team on the Group's businesses, the regulatory and commercial environment in which the Group operates and its governance policies, including board processes, policies on disclosure of interests in securities, prohibitions in dealing with the Company's securities and restrictions on disclosure of price-sensitive information, to facilitate the effective discharge of their duties. Newly appointed Directors will also be provided with a formal letter setting out their duties and obligations. Familiarization visits to the Group's offices will be organised on a need-to basis, where necessary, to facilitate better understanding of the Group's operations and projects. Pursuant to Rule 406(3) (a) of the Catalist Rules, first-time Directors who do not have prior experience as a director of a Singapore listed company will be provided with comprehensive training required under the Catalist Rules. Such training will be completed within one year of the appointment. The training will cover the roles and responsibilities of a director of a listed company as prescribed by SGX-ST, which includes relevant areas such as accounting, legal and industry-specific knowledge or other relevant training courses to familiarise them with the duties and responsibilities as a Director of a listed company, or as may be appropriate.

Our Directors, from time to time, attend appropriate courses, conferences and seminars to keep pace with the fast-changing laws, regulations and commercial risks. During the year, Directors attended briefings on changes to the Financial Reporting Standards by its Auditors. The Board encourages the Directors to continually develop and refresh their professional knowledge and skills, and to keep themselves abreast of relevant developments in the Group's business and the regulatory and industry-specific environments in which the Group operates.

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

The Board is also updated regularly on corporate governance, risk management, and key changes in the relevant regulatory requirements and financial reporting standards by the Management, Auditors, the Company's Sponsor and the Company Secretary. Relevant news releases issued by the SGX-ST, the Accounting and Corporate Regulatory Authority and the Monetary Authority of Singapore are also circulated to the Board.

The Directors have unrestricted access to records and information of the Group, and have separate and independent access to Management, Company Secretaries, and external advisers. The Company Secretary attends all meetings of the Board and Board Committees, and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a decision of the Board as a whole. The Directors and the Chairman of the respective Board Committees, whether as a group or individually, are also given unrestricted access to professionals for consultations as and when they deem it necessary at the expense of the Company, in furtherance of their duties and responsibilities as Directors.

1.2. BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Board Independence

The Board currently has five (5) members, comprising two (2) Executive Directors and three (3) Non-Executive Directors of which all are Independent Directors. Under the Code, non-executive Directors should make up a majority of the Board, and Independent Directors should make up a majority of the Board where the Chairman is not independent. As the Chairman is not independent and there is a majority of independent and non-executive Directors on the Board, the requirements of the Code are met.

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The criterion for independence is based on the definition given in the Code and Rule 406(3)(d) of the Catalist Rules. The Code defines an Independent Director as one who is independent in conduct, character and judgment, and has no relationship with the company, its related corporations, its 5% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. The independence of each Director is reviewed annually by the NC in accordance with the definition of independence in the Code and Rule 406(3)(d) of the Catalist Rules. The three (3) Independent Directors have confirmed their independence in accordance with the Code and the Catalist Rules and that they do not have any interest in and any business or other relationship with the Company, its related corporations, its 5% shareholders or its officers that could interfere, or be reasonably perceived to, interfere with the exercise of their independent judgment with a view to the best interests of the Group. The NC has also reviewed and is of the view that the three (3) Independent Directors are independent in accordance with the definition of independence in the Code and the Catalist Rules. Any Director who has an interest or relationship which is likely to impact their independence or conflict with a subject under discussion by the Board is required to immediately declare their interest or relationship to the Board.

Where the Board requires new Independent Directors to be elected to the Board, the NC will first identify and recommend candidates to the Board, which then takes into account the views of the NC prior to determining whether the Director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgment.

The Company currently has two (2) Independent Non-Executive Directors who have served on the Board beyond nine (9) years, namely Mr Lim Yit Keong ("**Mr Lim**") and Mr Hau Khee Wee ("**Mr Hau**"). The NC has reviewed and determined that Mr Lim and Mr Hau are independent in accordance with the Code and Catalist Rules. Notwithstanding that Mr Lim and Mr Hau had served on the Board for more than nine (9) years, the Board has assessed and is of the view that they had engaged the Board in constructive discussion; their contributions are relevant and reasoned; and they had exercised independent judgment during the Board discussions. The Board further recognises that they had over time developed significant insights in the Group's business and operations, and can continue to provide significant and valuable contribution as Independent Directors. Taking into consideration the abovementioned, the NC, with the concurrence of the Board, has concluded that Mr Lim and Mr Hau are independent and should continue to serve as Independent Directors notwithstanding they have served on the Board beyond nine (9) years from the date of their first appointment.

The NC noted Rule 406(3)(d)(iii) of the Catalist Rules, which will come into effect from 1 January 2022, that a director will also not be independent if he has been a director for an aggregate period of more than 9 years (whether before or after listing) and whose continued appointment as an independent director has not been sought and approved in separate resolution by (A) all shareholders; and (B) all shareholders, excluding shareholders who also serve as the directors or chief executive officer of the company, and associates of such directors and chief executive officers.

In view of the above, the NC noted that the approval by way of the two-tier shareholders' vote will be required on or before 1 January 2022 for Mr Lim and Mr Hau to remain as Independent Directors.

The integrity and professionalism of the Directors have enabled and facilitated them to discharge their responsibilities with due care and diligence. The Independent Directors provide oversight on Management performance by constructively challenging and helping to develop proposals on strategy. The Non-Executive Directors and Independent Directors regularly meet without the Management's presence to review the effectiveness and performance of Management in meeting agreed goals and objectives, and feedback is thereafter provided to Management.

Board Composition and Size

The Board constantly examines its size to determine if the current size of the Board is appropriate for the scope and nature of the Group's operations to facilitate effective decision-making. For FY2020, the NC is of the view that the present size of the Board allows it to be effective and not too large as to be unwieldy. The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate balance and mix of skills, knowledge and experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate.

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The current Board members comprise persons whose diverse skills, experience and attributes provide for effective decision-making for the Group, taking into account the nature and scope of the Group's operations. The members of the Board have the core competencies, such as accounting or finance, business or management experience, industry knowledge, corporate actions and strategic planning experience required for the Board to be effective in all aspects of its roles. Nonetheless, the Board is committed to continuous improvement and therefore, in concurrence with the NC, the Board is of the view that more measures can be considered to ensure appropriate balance and diversity of its members so as to supplement the collective skillsets of the existing Directors and bring different perspectives to the Board.

Name of Director	Date of initial appointment	Date of last re-election	Directorships in other listed companies and other principal commitments	
			Current	Past 3 Years
Cai Kaoqun	26 December 2007	26 July 2018	Nil	Nil
Cai Kaobing	26 December 2007	25 July 2019	Nil	Nil
Lim Yit Keong	18 June 2008	24 July 2019	<ul style="list-style-type: none"> • Lifebrandz Limited • Capital Consulting Pte. Ltd. 	Nil
Hau Khee Wee	1 December 2017	26 July 2018	<ul style="list-style-type: none"> • Imperium Crown Limited • Scigen Pte Ltd • Scigen (Australia) Pty Ltd 	<ul style="list-style-type: none"> • T.H.E. Fullerton Healthcare Group Limited • S.C. Fullerton Healthcare Group Limited • FHHK Aurum Limited • Health Maintenance Management Services Limited • HM Investment Holdings Limited • HMMP Dental Limited • Health Maintenance Medical Practice Limited • Dr Tony Chun Kit Lee Medical Practice Limited • Aurum Holdings • Washington Health Analytics Limited • HMMP Medical (Macau) Limited • Fullerton Health Clinic (HK) Holdings Limited • Keith Chan Musculoskeletal and Family Medicine Centre Co., Ltd • Fullerton Health Global Doctors Pte Ltd • Go Game Pte Ltd

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Name of Director	Date of initial appointment	Date of last re-election	Directorships in other listed companies and other principal commitments	
			Current	Past 3 Years
Lam Kwong Fai	1 October 2019	Nil	<ul style="list-style-type: none"> • Soon Lian Holdings Limited • Pan Asian Holdings Limited • D'Nonce Technology Bhd • 3 Peaks Capital Private Limited (Dormant) • Zenith Distribution LLP (Dormant) 	<ul style="list-style-type: none"> • Medtecs International Corporation Limited • Medtecs (Asia Pacific) Pte Ltd • Crowe Horwath Capital Pte Ltd • OEL (Holdings) Limited

The Board's policy in identifying director nominees is primarily to for the Board to have the appropriate diversity of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. The NC has reviewed and is of the view that the current Board comprises persons who as a group provide an appropriate balance and diversity of skills, experience and capabilities required for the Board to be effective.

Balance and Diversity of the Board		
	Number of Directors	Proportion of Board
Core Competencies		
Accounting or finance	3	60%
Business management	5	100%
Legal or corporate governance	3	60%
Relevant industry knowledge or experience	5	100%
Strategic planning experience	5	100%
Customer based experience or knowledge	2	40%

The composition of the Board will be reviewed on an annual basis. The Board has taken the following steps to maintain or enhance its balance and diversity:

- (a) Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and
- (b) Annual appraisal carried out on each director on their skill set they possess.

The NC will evaluate and act on the results of these exercises and where appropriate, recommend to the Board for the appointment of new directors and/or seek the resignation of incumbent directors.

The Independent Directors will constructively challenge and assist in the development of proposals on strategy, assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance.

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

1.3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making

Mr Cai Kaoqun is the Executive Chairman of the Board and CEO of the Company. The Board is of the view, given the scope and nature of the operations of the Group, it is not necessary to separate the functions of Chairman and CEO. However, to ensure that there is no concentration of power and authority vested in one individual, the Company has appointed Mr Hau Khee Wee (“**Mr Hau**”) as the lead Independent Non-Executive Director (the “**Lead Independent Director**”).

The Lead Independent Director serves as a sounding board to the Chairman and also as an intermediary between the Non-Executive Directors and the Chairman. Due to the seniority and extensive experience of Mr Hau, the Board is of the view that he is qualified to perform the role of the Lead Independent Director. The Lead Independent Director will be available to the shareholders where they have concerns which cannot be resolved through the normal channels via the Executive Chairman, the CEO and/or the Group Financial Controller, or where such contact is not possible or inappropriate. The Lead Independent Director may call for meetings of Independent Non-Executive Directors from time to time without the presence of other directors and Management and provide feedback to the Chairman after such meetings. In FY2020, the Independent Non-Executive Directors had met separately without the presence of Management.

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

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

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

1.4. BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board

The Composition and Role of NC

The Board reviews the composition of the Board and Board Committees annually, taking into account the need for progressive renewal of the Board and each Director’s competencies, commitment, contribution and performance. The NC is established for the purposes of ensuring that there is a formal and transparent process for all Board appointments and overseeing the Company’s succession and leadership development plans. To ensure that the governance and business needs of the Group are adequately addressed, the NC regularly reviews the capabilities of the Directors collectively by taking into account their skills, experience, diversity, and company and industry knowledge.

The NC comprises three Directors, the majority of whom (including the NC Chairman) are independent, namely:

Mr. Lim Yit Keong	Chairman
Mr. Hau Khee Wee	Member
Mr. Cai Kaoqun	Member

CORPORATE GOVERNANCE REPORT

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

- (a) to make recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board;
- (b) to regularly review the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary;
- (c) To determine the process for search, nomination, selection and appointment of new board members and be responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent;
- (d) to ensure that all Directors would be required to submit themselves for re-nomination and re-election at regular intervals and at least once in every three (3) years;
- (e) to determine annually whether a Director is independent, in accordance with the guidelines contained in the Code and the Catalist Rules;
- (f) to decide whether a Director is able to and has adequately carried out his duties as a director of the Company, in particular, where the Director has multiple board representations;
- (g) to review and approve any new employment of persons related to the Directors and the proposed terms of their employment;
- (h) put in place and review Board succession plans for the Directors, and in particular, for the Chairman of the Board and the CEO and key management personnel of the Company;
- (i) assessing the effectiveness of the Board as a whole and its Board Committees, and the contribution by each individual Director to the effectiveness of the Board;
- (j) to decide how the Board's performance may be evaluated and to propose objective performance criteria, subject to the approval of the Board, which address how the Board has enhanced long term shareholders' value; and
- (k) to review the training and professional development programs for the Board.

Criteria and Process for Nomination and Selection of New Directors

There is a formal and transparent process for the appointment of new Directors to the Board. The NC reviews and recommends all new Board appointments to the Board. The NC assesses to ensure that Directors appointed to the Board possess the background, experience and knowledge in technology, business, legal, finance and management skills critical to the Group's business and that each Director contributes and brings to the Board an objective perspective to enable balanced and well-considered decisions to be made.

In the nomination and selection process of a new Director, the NC will take into consideration the current Board size and its composition – including the mix of expertise, skills and attributes of the Directors – and determine if the candidate's background, experience and knowledge will bolster the core competencies of the Board. The NC will consider candidates proposed by the Management or may engage external search consultants where necessary. The NC will identify key attributes required of an incoming Director based on the requirements of the Board and interview the candidates to assess their suitability, and thereafter recommend to the Board.

Re-nomination of Directors

In the process for re-election of incumbent Directors, the NC will assess the performance of the Director in accordance with the performance criteria set by the Board and consider the current needs of the Board. Subject to the NC's satisfactory assessment, the NC will recommend the proposed re-appointment of the Director to the Board for its consideration and approval. Each NC member will abstain from his assessment as a Director whenever applicable.

Under the Company's Constitution, all Directors, including Executive Directors, must submit themselves for re-nomination and re-election at regular intervals of at least once every three (3) years. Regulation 107 of the Company's Constitution provides that one-third of the Board, or the number nearest to one-third is to retire by rotation at every Annual General Meeting ("**AGM**"). In addition, Regulation 117 of the Company's Constitution also provides that new Directors appointed during the year either to fill a casual vacancy or as an addition to the Board are required to submit themselves for re-election at the next AGM of the Company. The following Directors are retiring at the forthcoming AGM in accordance with Regulations 107 and 117:

- a) Hau Khee Wee (per Regulation 107)
- b) Lam Kwong Fai (per Regulation 117)

Information on Directors nominated for re-election – Appendix 7F of Catalist Rules

NAME OF DIRECTOR	HAU KHEE WEE	LAM KWONG FAI
Date of Appointment	1 December 2017	1 October 2019
Date of Last Re-Appointment	26 July 2018	–
Age	44	41
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	On recommendation of the Nominating Committee, the Board approved the appointment of Mr Hau Khee Wee as Lead Independent Director of the Company based on his qualifications, expertise and past experiences.	On recommendation of the Nominating Committee, the Board approved the appointment of Mr Lam Kwong Fai as Independent Director of the Company based on his qualifications, expertise and past experiences.
Whether appointment is executive, and if so, the area of responsibility	No	No
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director, Chairman of Audit Committee, member of Nominating Committee and Remuneration Committee	Independent Director, Chairman of Remuneration Committee and member of Audit Committee
Professional qualifications	Member of Institute of Singapore Chartered Accountants	Bachelor of Accountancy, Nanyang Technological University

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NAME OF DIRECTOR	HAU KHEE WEE	LAM KWONG FAI
<p>Working experience and occupation(s) during the past 10 years</p>	<p>April 2019 to present: Independent Director, China Kunda Technology Holdings Limited</p> <p>October 2019 to present: Group Financial Controller, Scigen Pte Ltd</p> <p>March 2020 to present: Director, Scigen (Australia) Pty Ltd</p> <p>September 2018 to September 2019: Finance Director, Go Game Pte Ltd</p> <p>December 2017 to March 2019: Non-executive Director, China Kunda Technology Holdings Limited</p> <p>October 2017 to present: Independent Director, Imperium Crown Limited</p> <p>April 2016 to September 2018: Financial Controller, Greater China, Fullerton Healthcare Corporation Limited</p> <p>May 2007 to March 2016: Executive Director and Chief Financial Officer (Executive Director, with effect from 26 December 2007), China Kunda Technology Holdings Limited</p>	<p>Jun 2020 to present: Independent Director, Soon Lian Holdings Limited</p> <p>Oct 2019 to present: Independent Director, China Kunda Technology Holdings Limited</p> <p>Jul 2019 to present: Independent Director, D'Nonce Technology Bhd</p> <p>Oct 2017 to present: Independent Director, Pan Asian Holdings Limited</p> <p>Jan 2020 to Jul 2020: Independent Director, OEL (Holdings) Ltd</p> <p>Jul 2019 to May 2020: Chief Executive Officer, Crowe Horwath Capital Pte Ltd</p> <p>Jun 2017 to Jul 2019: Chief Executive Officer, 3 Peaks Capital Private Limited</p> <p>Aug 2012 to present: Non-executive Director, Zenith Distribution LLP (Dormant)</p> <p>Jul 2015 to Jun 2019: Independent Director, Medtecs International Corporation Limited</p> <p>Jul 2014 to Jun 2017: Associate Director, Continuing Sponsorship, PrimePartners Corporate Finance Pte Ltd</p> <p>Apr 2012 to Jun 2014: Director, CNP Compliance Pte Ltd</p> <p>Apr 2009 to Mar 2012: Compliance Officer and Registered Professional, KW Capital</p>
<p>Shareholding interest in the listed issuer and its subsidiaries</p>	<p>Yes. Holder of 200,000 ordinary shares</p>	<p>Nil</p>
<p>Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries</p>	<p>Nil</p>	<p>Nil</p>

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NAME OF DIRECTOR	HAU KHEE WEE	LAM KWONG FAI
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships		
Past (for the last 5 years)	<p>T.H.E. Fullerton Healthcare Group Limited</p> <p>S.C. Fullerton Healthcare Group Limited</p> <p>FHHK Aurum Limited</p> <p>Health Maintenance Management Services Limited</p> <p>HM Investment Holdings Limited</p> <p>HMMP Dental Limited</p> <p>Health Maintenance Medical Practice Limited</p> <p>Dr Tony Chun Kit Lee Medical Practice Limited</p> <p>Aurum Holdings</p> <p>Washington Health Analytics Limited</p> <p>HMMP Medical (Macau) Limited</p> <p>Fullerton Health Clinic (HK) Holdings Limited</p> <p>Keith Chan Musculoskeletal and Family Medicine Centre Co., Ltd</p> <p>Fullerton Health Global Doctors Pte Ltd</p> <p>Go Game Pte Ltd</p>	<p>PrimePartners Corporate Finance Pte Ltd</p> <p>Medtecs International Corporation Limited</p> <p>Medtecs (Asia Pacific) Pte Ltd</p> <p>Crowe Horwath Capital Pte Ltd</p> <p>OEL (Holdings) Ltd</p>
Present	<p>Imperium Crown Limited</p> <p>China Kunda Technology Holdings Limited</p> <p>Scigen Pte Ltd</p> <p>Scigen (Australia) Pty Ltd</p>	<p>China Kunda Technology Holdings Limited</p> <p>Soon Lian Holdings Limited</p> <p>Pan Asian Holdings Limited</p> <p>D'Nonce Technology Bhd</p> <p>3 Peaks Capital Private Limited (Dormant)</p> <p>Zenith Distribution LLP (Dormant)</p>

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NAME OF DIRECTOR	HAU KHEE WEE	LAM KWONG FAI
Information required pursuant to Listing Rule 704(7) or Catalist Rule 704(6)		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

CORPORATE GOVERNANCE REPORT

NAME OF DIRECTOR	HAU KHEE WEE	LAM KWONG FAI
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management of conduct, in Singapore or elsewhere, of the affairs of:-		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No

CORPORATE GOVERNANCE REPORT

NAME OF DIRECTOR	HAU KHEE WEE	LAM KWONG FAI
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.	No	No
Disclosure applicable to appointment of Director only		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the Nominating Committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not Applicable	Not Applicable

Mr Hau and Mr Lam, being eligible, have offered themselves for re-election and the NC has recommended their re-election to the Board. Each of them has abstained from the NC's recommendation pertaining to his re-election respectively. In making the recommendation, the NC had considered the overall contribution and performance of aforementioned Directors.

Mr Hau, will upon being re-elected as a Director of the Company, remain as the Lead Independent Director, Chairman of the AC, and a member of the NC and RC. The Board considers Mr Hau to be independent for the purpose of Rule 704(7) of the Catalist Rules. Mr Hau does not have any relationship including immediate family relationship with the Directors, the Company or its substantial shareholders (as defined in the Code).

Mr Lam, will upon being re-elected as a Director of the Company, remain as an Independent Director, Chairman of the RC, and a member of the NC and AC. The Board considers Mr Lam to be independent for the purpose of Rule 704(7) of the Catalist Rules. Mr Lam does not have any relationship including immediate family relationship with the Directors, the Company or its substantial shareholders (as defined in the Code).

Directors' Time Commitment

The NC has reviewed the contribution by each Director taking into account their listed company board representations and other principal commitments. At present, the Board does not intend to set a maximum number of listed company board representations a Director may hold because Directors have different capabilities. The Board is of the view that the effectiveness of a Director should be evaluated by a qualitative assessment of his contributions to the Company's affairs taking into account his other commitments including his directorships in other listed companies. Accordingly, each Director would personally determine the demands of his competing directorships and obligations and assess the number of directorships they could hold and serve effectively. In any case, the NC notes that none of the Directors hold five or more listed company directorships. The NC shall review from time to time the listed company board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

The considerations in assessing the capacity of Directors include the following:

- a) Expected and/ or competing time commitments of Directors;
- b) Competencies of Directors;
- c) Geographical location of Directors;
- d) Size and composition of the Board; and
- e) Nature and scope of the Group's operations and size.

Notwithstanding the number of listed company board representations and other principal commitments which some of the Directors are holding, the NC having reviewed each Director's attendance, participation and contribution is of the view that sufficient time and attention to the affairs of the Company has been given by these Directors and is satisfied that all Directors have discharged their duties adequately for FY2020.

None of the Directors has appointed an alternate director.

1.5. BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual Directors.

Board Evaluation Process and Individual Director Evaluation Criteria

Annually, the NC performs an evaluation of the overall effectiveness of the Board, the Board Committees and each individual Director. The evaluation process is undertaken as an internal exercise and involves Board members completing detailed evaluation forms covering areas relating to a number of factors, including the discharge of the Board functions, access to information, participation at Board meetings and communication and guidance given by the Board to the Management. Feedback on the key areas was also given as part of the evaluation process.

A similar evaluation process is also conducted by each member of the Board Committees based on the performance criteria determined by the NC which includes committee composition, meetings held and committee responsibilities, and provide feedback to the NC. In reviewing the Board's effectiveness as a whole and the Board Committees, the NC will take into account the feedback from Board and Board Committee members as well as the Director's individual skills and experience. The annual evaluation process facilitates consideration by the Board of its membership, including renewal considerations. The results of the evaluation exercise will be considered by the NC, and a summary report will be compiled, with a view to implementing certain recommendations to further enhance the effectiveness of the Board's oversight of the Group.

The contribution of each individual Director to the effectiveness of the Board and Board Committee is assessed individually and reviewed by the NC. In assessing an individual Director's and Board Committee's performance, factors that are to be taken into consideration includes overall attendance, adequacy in meeting preparation, generation of creative/constructive ideas and maintenance of independence (applicable for Independent Directors).

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The NC, having reviewed the overall performance of the Board and the respective committees in terms of its roles and responsibilities and the conduct of its affairs as a whole, and the individual Director's performance, is of the view that the performance of the Board, the respective Board committees and each individual Director have been satisfactory for FY2020. Each member of the NC has abstained from voting on any resolution and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his performance or re-nomination as a Director.

2. REMUNERATION MATTERS

2.1. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No Director is involved in deciding his or her own remuneration.

The RC comprises three Directors, all of whom are non-executive Independent Directors, namely:

Mr. Lam Kwong Fai	Chairman
Mr. Lim Yit Keong	Member
Mr. Hau Khee Wee	Member

The RC is governed by a set of written terms of reference, which includes:

- (a) to review and recommend to the Board a framework of remuneration for the Directors and key executives of the Company, and determine the specific remuneration package for each Executive Director;
- (b) to review the remuneration package of senior management being the top five (5) Executive Officers of the Company;
- (c) to perform an annual review of the remuneration of employees related to the Directors and controlling shareholders of the Company to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. The RC will also review and approve any bonuses, pay increase and/or promotions for these employees;
- (d) to review and approve the overall compensation policy of the Company; and
- (e) to administer any long-term incentive schemes including share schemes which may be implemented by the Company, and to consider whether any Director should be eligible for benefits under such long-term incentive schemes.

All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses and benefits in kind, will be reviewed by the RC to ensure they are fair. The recommendations of the RC will be submitted to the Board for endorsement. Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package. The overriding principle is that no Director should be involved in deciding his own remuneration.

The RC has met to consider and review the remuneration packages of the Executive Directors and Executive Officers, including those employees related to the Directors and controlling shareholders of the Company.

The RC may from time to time, and where necessary or required, engage independent external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management. Among other things, this helps the Company to stay competitive when developing its remuneration packages. No independent external consultants have been engaged by the Company for this purpose for FY2020.

2.2. LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the Company.

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

The Independent Directors receive fixed Directors' fees, which takes into account factors such as effort, time spent, and responsibilities of each Director. The RC recognises the need to pay competitive fees to attract, motivate and retain such Independent Directors, yet not over-compensate them to the extent that their independence may be compromised. Directors' fees are recommended by the Board for approval and subjected to shareholders' approval at the Company's AGM.

The Executive Directors, namely Mr Cai Kaoqun and Mr Cai Kaobing do not receive Directors' Fees and are remunerated based on their service agreements with the Company. Their service contracts cover the terms of employment, salaries and other benefits. The RC seeks to ensure that the level and mix of remuneration for Executive Directors are competitive and promote the Group's long-term success. The Executive Directors have a remuneration package comprising of a fixed salary, a one-month fixed bonus and performance bonuses linked to corporate and individual performances.

The Group's compensation framework comprises fixed pay and short-term and long-term incentives. The compensation framework articulates to staff that total compensation is linked to the achievement of organizational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market or the industry.

The following performance conditions were chosen for the Group to remain competitive and to motivate the Management to work in alignment with the goals of all stakeholders:

Performance Conditions	Short-term Incentives (such as performance bonus)	Long-term Incentives (such as the employee share option scheme)
Qualitative	<ol style="list-style-type: none"> 1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors 7. Securing new business 8. Identifying business expansion opportunities 	<ol style="list-style-type: none"> 1. Group's major project or development 2. Current market and industry practices
Quantitative	<ol style="list-style-type: none"> 1. Profit before tax¹ 	

Note:

(1) Please refer to page 136 and page 137 of the Prospectus dated 30 September 2008 for more detailed information.

The RC will be provided with access to expert professional advice on remuneration matters as and when necessary. The expense of such services shall be borne by the Company. For FY2020, no professional experts were engaged.

CORPORATE GOVERNANCE REPORT

2.3. DISCLOSURE ON REMUNERATION

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The compensation packages for employees including the CEO, Executive Directors and key management personnel comprised fixed component (in the form of a base salary and/or fixed bonus), and a variable component (which would normally include variable performance bonuses), where applicable taking into account amongst other factors, the individual's performance and the performance of the Group.

Given the highly competitive environment that the Company is operating in and the confidentiality attached to the remuneration matters, the Company believes that disclosing remuneration in bands of S\$250,000 and disclosing in aggregate the total remuneration paid to the Management and Board provides sufficient overview of the remuneration of the Management and Board.

Further, after reviewing the industry practice and analysing the advantages and disadvantages of disclosing the Directors' remuneration in dollar terms, the Company believes that it is not in the best interests of the Company to fully disclose details of the remuneration of each individual Director given the highly competitive industry conditions.

Details of remuneration of Directors

The breakdown of remuneration paid to or accrued to each Director for FY2020 is as follows:

Directors/ Chief Executive Officer	Directors' Fees ⁽¹⁾ %	Salaries %	Bonus %	Total %
Below S\$250,000 per annum				
Cai Kaoqun ⁽²⁾	-	92	8	100
Cai Kaobing ⁽²⁾	-	92	8	100
Ho Chew Thim ⁽³⁾	100	-	-	100
Hau Khee Wee	100	-	-	100
Lim Yit Keong	100	-	-	100
Lam Kwong Fai ⁽⁴⁾	100	-	-	100

Notes:

- (1) The accrued Directors' fees as at 31 March 2020 are subjected to the shareholders' approval at the Company's Annual General Meeting to be held on 27 August 2020.
- (2) Remuneration package of Executive Directors include fixed bonus of one (1)-month salary as long as the Executive Director is under the employment of the Company on the last day of March.
- (3) Mr. Ho Chew Thim ceased to be the Lead Independent Director with effect from 6 August 2019 and therefore his director fee is pro-rated based on the date of cessation.
- (4) Mr. Lam Kwong Fai was appointed as Independent Director of the Company on 1 October 2019 and therefore his director fee is pro-rated based on the date of appointment.

The aggregate total remuneration of Directors, including the proposed Directors' fees for FY2020 is approximately S\$450,000.

Details of remuneration of top key management personnel

The Group only had three Executive Officers (who are not Directors or the CEO) for FY2020, details of remuneration paid to these Executive Officers of the Group for FY2020 is as follows:

Executive Officers	Salary %	Bonus %	Total %
Below S\$250,000			
Cai Sinan	85	15	100
Huang Yao	100	-	100
Lim Kheng Onn	93	7	100

The aggregate total remuneration of the above Executive Officers for FY2020 was approximately S\$286,000.

There are no termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the Executive Officers (who are not Directors or the CEO).

Details of remuneration of employees who are immediate family members of a Director, the CEO, or a substantial shareholder.

There were no employees who were immediate family members of a Director, the CEO, and/or a substantial shareholder, whose remuneration exceeded S\$100,000 during FY2020.

China Kunda Employee Stock Option Scheme

The Company had pursuant to an extraordinary general meeting of the Company held on 28 July 2011 established an employee share option scheme, known as the "China Kunda Employee Stock Option Scheme" (the "**Scheme**"). The RC administers the Scheme in accordance with the rules of the Scheme.

Under the rules of the Scheme, Executive Directors and Non-Executive Directors (including Independent Directors), confirmed full time employees and controlling shareholders or their Associates of the Group are eligible to participate in the Scheme.

The total number of new shares over which options may be granted pursuant to the Scheme, when added to the number of shares issued and issuable under such other share-based incentive plans (where applicable) of the Company, shall not exceed 15% of the issued share capital of the Company on the day preceding the relevant date of grant of the options.

The number of options to be offered to a participant shall be determined at the discretion of the RC which shall take into account criteria such as rank, responsibilities within the Group, past performance, years of service and potential for future development of that participant. However, in relation to controlling shareholders or associates of controlling shareholders, the aggregate number of shares which may be granted shall not exceed 25% of the total number of shares available under the Scheme and the aggregate number of shares which may be granted to any individual controlling shareholders or associate of a controlling shareholder shall not exceed 10% of the total number of shares available under the Scheme.

The options that are granted under the Scheme may have exercise prices that are, at the RC's discretion, set at a price (the "**Market Price**") equal to the average of the last dealt prices for the shares on the Catalist over the three consecutive market days immediately preceding the relevant date of grant of the relevant option; or at a discount to the Market Price (subject to a maximum discount of 20%). Options which are fixed at the Market Price may be exercised after the first anniversary of the date of grant of that option while options exercisable at a discount to the Market Price may only be exercised after the second anniversary from the date of grant of the option.

The Scheme shall continue to be in force at the discretion of the RC, subject to a maximum period of 10 years, commencing on the date the Scheme is adopted and may be continued for any further period thereafter with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required. Since the establishment of the Scheme to the end of FY2020, no options have been granted under the Scheme.

CORPORATE GOVERNANCE REPORT

3. ACCOUNTABILITY AND AUDIT

3.1. RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, as well as to manage risks. In this regard, the Board:

- (a) ensures that Management maintains a sound systems of risk management to safeguard shareholders' interest and the Group's assets;
- (b) determines the nature and extend of significant risks that the Board is willing to take in achieving its strategic objective;
- (c) determines the Company's levels of risk tolerance and risk policies;
- (d) oversees Management in the design, implementation and monitoring of risk management and internal control systems (including financial, operational and compliance risk), and ensures that the necessary corrective actions are taken on a timely basis; and
- (e) reviews annually the adequacy and effectiveness of the risk management policies and systems, and key internal controls.

The risk and corresponding controls are further elaborated as follows:-

(a) Operational risks

Management regularly reviews and improves the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The internal audit function will complement the role of the risk management by providing an independent perspective on the controls that help to mitigate any operational risks. All significant matters identified by the Management and the internal audit function will be highlighted to the Board and the AC.

(b) Compliance and legal risks

The Group recognises the risks associated with changes in laws and regulations in Singapore and the People's Republic of China and has reviewed its business plans in light of legal and regulatory changes in the year. The Group will continue to monitor legal and regulatory changes to keep abreast with developments that may have an impact on its business and operations.

(c) Financial risks

Management regularly identifies and reviews the financial risks applicable to the Group. The Group's financial risk management is discussed under financial risk management objectives and policies of the Notes to the Financial Statements, on pages 83 to 87 of the Annual Report.

(d) Information technology risks

The Group recognises the risk especially in the domain of disaster recovery of information technology systems. Information technology security risk assessments are carried out on a regular basis and mitigation actions are documented in a risk treatment plan.

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

The Board has also received assurances from the CEO and Group Financial Controller of the Group that in respect of the past 12 months:

- a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- b) the Company's risk management and internal control systems are adequate and effective as they have evaluated the effectiveness of the Group's internal controls and have discussed with the Company's auditors of their reporting points and note that there have been no known material deficiencies in the design or operations of internal controls which could adversely affect the Company's and Group's ability to record, process, summarise or report financial data.

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

Based on (i) the Group's framework of risk management control; (ii) the internal control policies and procedures established and maintained by the Group; (iii) the work performed by the internal and external auditors and no significant matters were highlighted to the AC; and (iv) assurance has been received from the CEO and Group Financial Controller, the Board, with the concurrence of the AC, is of the opinion that the Company's internal controls, including financial, operational, compliance and information technology controls, and risk management systems were effective and adequate for FY2020.

3.2. AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee which discharges its duties objectively

All members of the AC are non-executive directors and all members of the AC, including the Chairman of the AC, are independent, namely: -

Mr. Hau Khee Wee	Chairman
Mr. Lim Yit Keong	Member
Mr. Lam Kwong Fai	Member

The AC members possess many years of experience in accounting, legal, business and financial management. None of the AC members were previous partners or directors of the Company's external audit firm within the last two years or hold any financial interest in the external audit firm. The Board considers that the members of the AC are appropriately qualified to discharge the responsibilities as the members have extensive and practical knowledge and experience.

The AC is authorised to investigate any matter within its terms of reference, and has full access to, and cooperation of, the Management. The AC has full discretion to invite any Director or key management personnel to attend its meetings, as well as access to reasonable resources to enable it to discharge its functions properly. In performing its functions, the AC also reviews the assistance given by the Company's officers to the independent auditors.

CORPORATE GOVERNANCE REPORT

The AC has written terms of reference that are approved by the Board and clearly set out its responsibilities. The AC carries out its functions in accordance with the Companies Act and the Code. The terms of reference are set out below, amongst others: -

- (a) review the adequacy, effectiveness, scope and results of the external and internal audit and its cost effectiveness;
- (b) review the independence and objectivity of the external and internal auditors annually;
- (c) review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- (d) reviewing the assurance from the CEO and the Group Financial Controller on the financial records and financial statements;
- (e) review the quarterly and full year financial results before submission to the Board for approval;
- (f) review the adequacy and effectiveness of the Group's internal controls and risk management system, as set out in the Code;
- (g) review the effectiveness of the Group's internal audit function;
- (h) meet periodically with the Company's internal and external auditors to review their audit plan and discuss the results of their respective examinations and their evaluation of the Group's system of internal accounting controls without the presence of the Company's Management;
- (i) consider and recommend to the Board on the appointment, re-appointment and removal of the external and internal auditors, and approving the remuneration and terms of engagement of the external and internal auditors;
- (j) review arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- (k) review the external and internal auditors' reports;
- (l) review the co-operation given by the Group's officers to the external auditors;
- (m) review and approve interested persons transactions, if any, falling within the scope of Chapter 9 of the Catalist Rules;
- (n) review the adequacy of the business risk management process;
- (o) review potential conflicts of interest, if any, and ensuring procedures for resolving such conflicts are strictly adhered to;
- (p) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- (q) review and establish procedures for receipt, retention and treatment of complaints received by the Group regarding inter alia, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group; and
- (r) generally undertake such other functions and duties as may be required by statute or the Catalist Rules, or by such amendments made thereto from time to time.

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

The AC selects and approves the appointment of the internal auditors ("IA"). The internal auditor's primary line of reporting is the Chairman of the AC on audit matters and administratively to the Management. The AC has the responsibility to review the adequacy, effectiveness and independence of the internal audit function annually and ensure co-ordination between the internal auditors and the Management. The AC ensures that the internal auditors meets or exceeds the standards set by nationally or internationally recognised professional bodies, and also decides on the appointment, termination and remuneration of the head of the internal audit function.

For the financial year reported on, the AC reviewed and approved the scope of the audit plans of the independent auditors. In its recommendation to the Board to approve the full year financial statements, the AC reviewed the results of the audit, significant findings or areas of emphasis and audit recommendations. The AC also discussed with the Management the various accounting principles that were applied and the bases of the assumptions and methodologies used by the Management in relation to matters of significant impact.

The AC met with the internal auditor and external auditors without the presence of the Management once during FY2020. These meetings enable the internal and external auditors to raise issues encountered in the course of their works directly to the AC.

The AC has recommended to the Board the nomination of Messrs Ernst & Young LLP for their re-appointment as external auditors of the Company at the forthcoming AGM. The AC is satisfied that Messrs Ernst & Young LLP and their audit engagement partner assigned to the audit have adequate resources and experience to meet its audit obligations. In this connection, the Company confirms that it complies with Rules 712 and 715 of the Catalist Rules, and has recommended to the Board, the proposed re-appointment of Messrs Ernst & Young LLP as the external auditors of the Company.

The total fees paid to Messrs Ernst & Young LLP for FY2020 was S\$132,000, including the audit fee of S\$126,000 and the non-audit services fee of S\$6,000. The AC, having reviewed the scope and value of non-audit services provided to the Group by the external auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

Pursuant to the requirements of the SGX-ST, an audit partner must not be in charge of more than five consecutive annual audits but may then return after two years. FY2020 is the fourth year for which the current audit director of Messrs Ernst & Young LLP is in charge of the audit of the Group.

The AC is kept abreast of changes to accounting standards and issues which may have an impact on the financial statements, through presentations by the auditors of changes in financial reporting standards and issues which have a direct impact on financial statements.

Whistle Blowing Policy

The Group has established a whistle-blowing policy, endorsed by the AC, which seeks to provide a channel for the Group's employees and any other persons to raise concerns in good faith and in confidence about possible improprieties in matters of financial reporting or other matters such as possible corruption, suspected fraud and other non-compliance issues. The Company's staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters by submitting a whistle blowing report to wbccommittee@kunda.com.

CORPORATE GOVERNANCE REPORT

Following the implementation of the whistle-blowing policy, a set of fraud policy which was reviewed by the AC and approved by the Board, was issued to assist the AC in managing allegations of fraud, corruption, dishonest practices or other misconduct which may be made, so that:

- (a) All cases reported are objectively investigated, treated fairly and, to the extent possible, be protected from reprisal;
- (b) Appropriate remedial measures are taken where warranted; and
- (c) Appropriate action is taken to correct the weaknesses in the existing system of internal processes and policies which allowed the perpetration of the fraud and/or misconduct, and to prevent a recurrence.

There were no whistle-blowing reports made during FY2020 and until the date of this Annual Report.

Significant matters impacting the financial statements

Significant matters for FY2020	How the Committee reviewed this matter and what decision was taken
<ul style="list-style-type: none"> a) Impairment for trade receivables b) Impairment assessment for property, plant and equipment 	<p>The AC inquired and reviewed the findings on these significant matters and other reporting matters together with the external auditors and management.</p> <p>These significant matters were also an area of focus for the external auditors. The external auditors have included this items as key audit matters in its audit report for FY2020.</p> <p>The AC reviewed the external auditors' comments on the key audit matters. (See audit opinion on pages 42 and 43).</p> <p>The Audit Committee was satisfied that sufficient analysis and assessments had been performed in this area.</p>

Internal Audit

The Board recognises the importance of an internal audit function to maintain a sound system of internal control within the Group to safeguard shareholders' investments and the Company's assets, while the Management is responsible for establishing and implementing the internal control procedures. The role of the Internal Audit ("IA") is to assist the AC in ensuring that the controls are adequate and effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high-risk areas. The AC will also approve the hiring, removal, evaluation and compensation of the accounting or auditing firm or corporation which the internal audit function of the Company is outsourced to. The AC is satisfied that the internal audit function is independent, effective and adequately resourced, and has appropriate standing within the Company.

The internal audit function of the Group has been outsourced to an independent firm, BDO LLP ("**BDO**") which is an established international auditing firm. The outsourced internal audit team is headed by Mr. Willy Leow ("**Mr Willy**"), who is the head of the BDO Risk Advisory Services Division and has over 20 years of auditing experience. Mr Willy graduated with a Bachelor of Accountancy (Honours) from Nanyang Technological University ("**NTU**"). He has also completed a MBA from NTU in Management of Information Technology which he graduated with the Dean's Honours List Award. He is a Chartered Accountant of Institute of Singapore Chartered Accountants ("**ISCA**"), Certified Internal Auditor of the Institute of Internal Auditors ("**IIA**") and Certified Information System Auditor. He also has a Certification in Risk Management Assurance. The Audit Committee is satisfied that the outsourced internal audit function is adequately staffed by suitably qualified and experienced professionals and adheres to the International Professional Practices Framework established by IIA.

In respect of the audit, the audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. The Internal Auditors' primary line of reporting is to the Chairman of the AC, which will include reviewing the risk control environment and business processes. The primary objective of the internal audit is to report to the AC and the Board the extent that sound risk management processes and controls are in place and operate effectively. The Internal Auditors has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The internal audits are carried out in accordance with the BDO Global Internal Audit Methodology which is consistent with the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors, and the coverage of the internal audits are rotated to cover potential risk areas. The AC is satisfied with the internal audit work that was carried out during FY2020.

The AC reviews the activities of the internal auditors on a regular basis, including overseeing and monitoring the implementation of the improvements required on internal control weaknesses identified. Internal audit plans are also aligned with the Company's risk management programme. The aim is to ensure that an effective and efficient control environment is in place to manage those risks exclusive to a particular business unit in addition to those that may be relevant on an enterprise wide basis.

4. SHAREHOLDERS RIGHTS AND ENGAGEMENT

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Board establishes and maintains regular dialogue with its shareholders, to gather views or inputs and to address shareholders' concerns. The annual general meeting ("**AGM**") of the Company is a principal forum for dialogue and interaction with all shareholders. The Board encourages shareholders to attend the Company's general meetings to ensure a greater level of shareholder participation and to meet with the Board and key management staff so as to stay informed on the Group's developments. The Directors regard AGMs as an opportunity to communicate directly with shareholders and encourage greater shareholder participation.

All shareholders of the Company will receive annual reports and are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Shareholders are invited at such meeting to put forth any questions they may have on the motions to be debated and decided upon. Resolutions are passed through a process of voting and shareholders are entitled to vote in accordance with established voting rules and procedures. Shareholders are informed of the voting rules and procedures at the general meeting.

A shareholder who is unable to attend the general meetings is entitled to appoint up to two proxies, unless the shareholder is a relevant intermediary (as defined in Section 181 of the Companies Act). A relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the general meetings, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue. In the event that there are resolutions which are interlinked, the Board will explain the reasons and material implications. Each item of special business included in the notice of meetings will be accompanied by the relevant explanatory notes. This is to enable the shareholders to understand the nature and effect of the proposed resolutions.

The Directors, including the Chairman of each Board and Board Committees will as much as possible present to address shareholders' questions at the annual general meeting. The Board will also engage in dialogue with shareholders at the AGM, to gather views or inputs and address shareholders' concerns. The members of the AC, NC and RC are also present at AGMs to answer questions relating to the work of these committees. All Directors attended the FY2019 AGM held on 25 July 2019. The Company's independent auditors will also be present to address queries by shareholders in respect of its conduct of audit and the preparation and content of the auditors' report.

CORPORATE GOVERNANCE REPORT

After the AGM, the Company will make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentage. The Company Secretary prepares minutes of the AGM, which incorporate substantial comments or queries from shareholders and responses from the Board and the Management. The Code requires an issuer to publish the minutes of general meetings of shareholders on the SGXNET or its corporate website as soon as practicable. Although the Company does not currently have such a practice, the Company is of the view that the minutes of general meetings of shareholders are strictly private and confidential to the Company's shareholders. All minutes of general meetings will be made available to shareholders upon their written request within one month after the general meetings.

For FY2020, in complying with the requirements stipulated in the First Schedule of the COVID-19 (Temporary Measures) Act 2020 passed by Parliament on 7 April 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**Order**") which was gazetted on 13 April 2020, the Company will apply and adopt the alternative arrangements for the convening, holding and conducting of the AGM, as set out in the second column of the First Schedule of the Order ("**Alternative Arrangement**"). The Company will publish the minutes of the AGM to be held on 27 August 2020 on SGXNET within one month after the AGM. The annual report, notice of AGM and proxy form ("**AGM documents**") will be available to shareholders through electronic means via publication on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>. Printed copies of the AGM documents will not be sent to shareholders.

Dividend policy

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the above, any declaration of dividends is clearly communicated to the shareholders via the SGXNET.

Due to the Group's subdued financial performance and intention to invest in new business opportunities that are expected to improve the overall financial position of the Group, no dividend has been declared or recommended for the current reporting period to conserve cash for its current and future business needs.

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

All shareholders are treated fairly and equitably to facilitate their ownership rights. The Board is accountable to shareholders and aims to provide the shareholders with a balanced and understandable assessment of the Group's performance, position and prospects by furnishing timely information and ensuring full disclosure of material information to shareholders in compliance with statutory requirements and the Catalist Rules. The Management is responsible to the Board and the Board itself is accountable to the shareholders of the Company. The Board is provided with the management accounts of the Group's performance and position on a quarterly basis. The Board has also taken steps to ensure compliance with legislative and regulatory requirements.

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

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

- (a) financial results and annual reports are announced or issued within the legally prescribed period;
- (b) material information are disclosed in a comprehensive, accurate and timely manner via SGXNET and the media channels (where applicable) thereafter; and
- (c) the Company's general meetings.

The Company currently does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. The Company will consider the appointment of a professional investor relations officer to manage the function should the need arise.

5. MANAGING STAKEHOLDER RELATIONSHIPS

5.1. ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company undertakes an annual review in identifying its material stakeholders through various medium and channels to understand their needs and expectations, address their concerns so as to improve services and products' standards, as well as to align the business interest with those of the stakeholders and ultimately to generate sustainable value in the long-run. It assesses the material environment, social and governance factors that affects the Group.

Please refer to the Company's latest sustainability report for the assessment process and how such relationships with stakeholders are managed. The sustainability report will be released by the end of August 2020 and will be publicly accessible on SGXNET.

Such report will highlight the key material environmental, social and governance factors such as material use, employees training and advancements, innovation and R&D as well as regulatory compliance.

Currently, the Company updates its shareholders on its corporate developments through SGXNET. The Board is of view that such mediums are sufficient to keep shareholders updated. The Company will consider updating shareholders through its corporate website should the need arise in the future.

6. SECURITIES TRANSACTIONS

The Company has adopted a policy on dealings in securities in accordance with Rule 1204(19) of the Catalyst Rules.

Directors and all key executives are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Directors and officers are prohibited to deal in the Company's securities, during the period commencing one month before the announcement of the Company's half yearly results or full year results, and ending on the date of the announcement of the results.

Directors and officers are also expected to observe insider-trading laws at all times and to ensure that their dealings in securities do not contravene the laws on insider trading under the Securities and Futures Act, and the Companies Act.

7. MATERIAL CONTRACTS

Pursuant to Rule 1204(8) of the Catalyst Rules, the Company confirms that there was no material contract entered into by the Company or any of its subsidiary companies involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2020 or if not then subsisting, entered into since the end of the previous financial year.

CORPORATE GOVERNANCE REPORT

8. INTERESTED PERSONS TRANSACTIONS (“IPTs”)

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

Name of Interested Person	Nature of relationship	Aggregate value of all IPTs conducted during FY2020 (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted during FY2020 under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
		HK\$’000	HK\$’000
Shenzhen Kunda Precision Mould Co., Ltd (“Shenzhen Precision”)	Shenzhen Kunda Precision is a company incorporated in PRC.	2,289 ⁽¹⁾	-
Rental of factory premise at Bao Long Yi Road	The shareholders of Shenzhen Precision are our Executive Chairman and CEO, Cai Kaoqun and our Executive Director Cai Kaobing who holds 95% and 5% of the equity interests in Shenzhen Precision respectively. The directors of Shenzhen Precision are Cai Kaoqun, and our Executive Director, Cai Kaobing.		
Total		2,289	-

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

Note:

(1) The total annual rental of RMB2,040,000 was translated at the average exchange rate of RMB1.00:HK\$1.1222 for the financial year ended from 1 April 2019 to 31 March 2020.

9. NON-SPONSOR FEES (RULE 1204(21))

No non-sponsor fees were paid/payable to the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. for FY2020.

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DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of China Kunda Technology Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 March 2020.

1. Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2020 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

Cai Kaoqun
Cai Kaobing
Hau Khee Wee
Lim Yit Keong
Lam Kwong Fai (Appointed on 1 October 2019)

3. Arrangements to enable directors to acquire shares and debentures

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

4. Directors' interests in shares and debentures

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

Name of director	Direct interest		Deemed interest	
	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
Ordinary shares of the Company				
Cai Kaoqun	-	-	123,084,000	123,084,000
Cai Kaobing	-	-	19,200,000	19,200,000
Hau Khee Wee	200,000	200,000	-	-

China Hongda Holdings Limited ("CHH") and Good Moral Technology Limited ("GMT") holds 123,084,000 and 19,200,000 shares in the Company respectively.

4. Directors' interests in shares and debentures (cont'd)

Mr. Cai Kaoqun holds 100% equity interests in CHH and Mr. Cai Kaobing hold 80% equity interests in GMT. By virtue of their controlling interest of not less than 20% in CHH and GMT respectively, Mr. Cai Kaoqun and Mr. Cai Kaobing are deemed under section 7 of the Singapore Companies Act, Chapter 50, to have an interest in the shares of the Company held by CHH and GMT respectively.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 April 2019.

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

5. Options

No options were issued by the Company during the financial year. As at 31 March 2020, there were no options on the unissued shares of the Company or any other body corporate which were outstanding.

6. Audit committee

The Audit Committee ("AC") carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Chapter 50, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. The functions performed and further details are set up in the Corporate Governance Report.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

7. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Cai Kaoqun
Director

Cai Kaobing
Director

30 July 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of China Kunda Technology Holdings Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of China Kunda Technology Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 March 2020, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment for trade receivables

The gross balance of the Group's trade receivables as of 31 March 2020 is HK\$9.5 million, against which allowance for expected credit losses of HK\$0.7 million was made. The Group determines expected credit losses of trade receivables by making debtor-specific assessment of expected impairment loss for long overdue trade receivables, and using a provision matrix for the remaining trade receivables that is based on its historical credit loss experience, adjusted for forward-looking information specific to the debtors and economic environment. This assessment involved significant management judgment and estimation uncertainty that has been heightened by the global economic slowdown ensuing the COVID-19 pandemic. Accordingly, we determine that this is a key audit matter.

As part of our audit, we obtained an understanding of the Group's processes and controls relating to the determination of expected credit losses of trade receivables and considered ageing of trade receivables to identify collection risks. Our audit procedures included, amongst others, requesting confirmation of selected trade receivable balances, obtaining evidence of receipts from these debtors subsequent to the year-end up to the date of the consolidated financial statements, and discussing the identified collection issues with the relevant business managers. We evaluated management's assumptions and inputs used in determining the expected credit losses through ageing analyses, review of historical credit loss experiences, and consideration of the rationale, data and information that management has used to make and update the forward-looking adjustments. We checked the arithmetic accuracy of the computation of expected credit losses. We also assessed the adequacy of the Group's disclosures concerning trade receivable in Note 15 Trade and other receivables, and the related risks such as credit risk and liquidity risk in Note 28 Financial risk management objectives and policies to the financial statements.

Impairment assessment for property, plant and equipment

As of 31 March 2020, the Group has property, plant and equipment of HK\$5 million that are used in two cash generating units ("CGUs") operating in the People's Republic of China. In consideration of the business impact from the COVID-19 pandemic and the net loss of HK\$6.7 million incurred by the Group for the year ended 31 March 2020, the Group has identified indicators of impairment for these CGUs. Pursuant to the assessment of the CGUs' recoverable amounts based on value in use, no impairment loss was recorded for the financial year ended 31 March 2020. The impairment assessment involved significant management judgment and estimation uncertainty that has been heightened by the global economic slowdown ensuing the COVID-19 pandemic. Accordingly, we determine that this is a key audit matter.

Our audit procedures included, amongst others, obtaining an understanding of management's assessment for indicators of impairment, mitigating factors and their process and basis of determining recoverable amount of the CGUs. We evaluated the methodology used by management in estimating value in use and assessed the key assumptions used, such as revenue and growth projections, profits margins, capital expenditures, and the discount rate applied. We compared past years' results with management budgets, corroborated the key assumptions used with our understanding of the outlook of the industry and the CGUs' performance subsequent to year end and performed sensitivity analysis on key assumptions for alternative possible scenarios. We reviewed the adequacy of the disclosures set out in Significant accounting judgments and estimates (Note 3 (ii)) and Property, plant and equipment (Note 12) to the financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Kunda Technology Holdings Limited

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

To the Members of China Kunda Technology Holdings Limited

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Tan Po Hsiong Jonathan.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
30 July 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 March 2020

(Amounts expressed in Hong Kong Dollars)

	Note	2020 HK\$'000	2019 HK\$'000
<u>Continuing operations</u>			
Revenue	4	41,822	39,672
Cost of sales		(30,433)	(29,650)
Gross profit		<u>11,389</u>	<u>10,022</u>
Other items of income			
Interest income	5	632	578
Other income	6	998	2,562
Other items of expense			
Selling and distribution expenses		(2,143)	(2,571)
General and administrative expenses		(17,529)	(14,946)
Other expenses	7	(39)	(408)
Loss before tax from continuing operations	8	<u>(6,692)</u>	<u>(4,763)</u>
Income tax expense	9	-	-
Loss from continuing operations, net of tax		<u>(6,692)</u>	<u>(4,763)</u>
<u>Discontinued operation</u>			
Profit from discontinued operation, net of tax	11(b)	<u>-</u>	<u>1,034</u>
Loss for the year		<u>(6,692)</u>	<u>(3,729)</u>
Attributable to:			
Owners of the Company			
Loss from continuing operations, net of tax		(6,692)	(4,763)
Profit from discontinued operation, net of tax		-	590
Loss for the year attributable to owners of the Company		<u>(6,692)</u>	<u>(4,173)</u>
Non-controlling interests			
Profit from discontinued operation, net of tax		-	444
Profit for the year attributable to non-controlling interests		<u>-</u>	<u>444</u>
Loss per share from continuing operations attributable to owners of the Company (HK cents per share)			
Basic and diluted	10 (a)	<u>(1.6)</u>	<u>(1.2)</u>
Loss per share (HK cents per share)			
Basic and diluted	10 (b)	<u>(1.6)</u>	<u>(1.0)</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2020

(Amounts expressed in Hong Kong Dollars)

	Note	2020 HK\$'000	2019 HK\$'000
Loss for the year		(6,692)	(3,729)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation, net of tax	23(c)	(2,679)	(3,980)
Items that will not be reclassified subsequently to profit or loss			
Foreign currency translation, net of tax	23(c)	(957)	(4,390)
Other comprehensive income for the year, net of tax		<u>(3,636)</u>	<u>(8,370)</u>
Total comprehensive income for the year		<u>(10,328)</u>	<u>(12,099)</u>
Attributable to:			
Owners of the Company		(10,328)	(10,246)
Non-controlling interests		-	(1,853)
Total comprehensive income for the year		<u>(10,328)</u>	<u>(12,099)</u>
Attributable to:			
Owners of the Company			
Total comprehensive income from continuing operations, net of tax		(10,328)	(7,458)
Total comprehensive income from discontinued operation, net of tax		-	(2,788)
Total comprehensive income for the year attributable to owners of the Company		<u>(10,328)</u>	<u>(10,246)</u>

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

BALANCE SHEETS

As at 31 March 2020

(Amounts expressed in Hong Kong Dollars)

	Note	Group		Company	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
ASSETS					
Non-current assets					
Investment in subsidiaries	11	-	-	42,735	45,696
Property, plant and equipment	12	5,050	5,793	-	-
Intangible assets	13	79	-	-	-
		<u>5,129</u>	<u>5,793</u>	<u>42,735</u>	<u>45,696</u>
Current assets					
Inventories	14	6,252	2,879	-	-
Trade and other receivables	15	9,231	10,481	-	-
Prepayments	16	7,673	1,088	67	70
Amounts due from related parties	17	-	128	12,310	15,949
Cash and short-term deposits	18	32,596	51,194	722	1,398
		<u>55,752</u>	<u>65,770</u>	<u>13,099</u>	<u>17,417</u>
Total assets		60,881	71,563	55,834	63,113
LIABILITIES					
Current liabilities					
Trade and other payables	19	4,515	5,214	304	-
Other liabilities	20	7,502	7,128	1,619	1,928
Amounts due to related parties	17	427	266	-	-
Deferred government grants	21	-	187	-	-
Income tax payable		46	49	-	-
		<u>12,490</u>	<u>12,844</u>	<u>1,923</u>	<u>1,928</u>
Net current assets		43,262	52,926	11,176	15,489
Total liabilities		12,490	12,844	1,923	1,928
Net assets		48,391	58,719	53,911	61,185
EQUITY					
Equity attributable to owners of the Company					
Share capital	22	148,309	148,309	148,309	148,309
Accumulated losses		(38,748)	(32,056)	(102,102)	(98,708)
Restructuring reserve	23	(74,397)	(74,397)	-	-
Foreign currency translation reserve	23	13,227	16,863	7,704	11,584
		<u>48,391</u>	<u>58,719</u>	<u>53,911</u>	<u>61,185</u>
Total equity		48,391	58,719	53,911	61,185
Total equity and liabilities		60,881	71,563	55,834	63,113

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2020

(Amounts expressed in Hong Kong Dollars)

Group	Attributable to owners of the Company							
	Equity, total	Equity attributable to owners of the Company, total	Share capital	Accumulated losses	Restructuring reserve	Statutory reserve fund	Foreign currency translation reserve	Non-controlling interests
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
2020								
Opening balance at 1 April 2019	58,719	58,719	148,309	(32,056)	(74,397)	-	16,863	-
Loss for the year	(6,692)	(6,692)	-	(6,692)	-	-	-	-
<u>Other comprehensive income</u>								
Foreign currency translation	(3,636)	(3,636)	-	-	-	-	(3,636)	-
Other comprehensive income for the year, net of tax	(3,636)	(3,636)	-	-	-	-	(3,636)	-
Total comprehensive income for the year	(10,328)	(10,328)	-	(6,692)	-	-	(3,636)	-
Closing balance at 31 March 2020	48,391	48,391	148,309	(38,748)	(74,397)	-	13,227	-
2019								
Opening balance at 1 April 2018	104,388	69,664	148,309	(29,442)	(74,397)	1,559	23,635	34,724
(Loss)/Profit for the year	(3,729)	(4,173)	-	(4,173)	-	-	-	444
<u>Other comprehensive income</u>								
Foreign currency translation	(8,370)	(6,073)	-	-	-	-	(6,073)	(2,297)
Other comprehensive income for the year, net of tax	(8,370)	(6,073)	-	-	-	-	(6,073)	(2,297)
Total comprehensive income for the year	(12,099)	(10,246)	-	(4,173)	-	-	(6,073)	(1,853)
<u>Others</u>								
Dividends paid to non-controlling interests	(6,348)	-	-	-	-	-	-	(6,348)
Appropriation to reserve	-	-	-	(58)	-	58	-	-
Disposal of subsidiaries	(27,222)	(699)	-	1,617	-	(1,617)	(699)	(26,523)
Total others	(33,570)	(699)	-	1,559	-	(1,559)	(699)	(32,871)
Closing balance at 31 March 2019	58,719	58,719	148,309	(32,056)	(74,397)	-	16,863	-

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2020

(Amounts expressed in Hong Kong Dollars)

Company	Equity, total	Share capital (Note 22)	Accumulated losses	Foreign currency translation reserve (Note 23(c))
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2020				
Opening balance at 1 April 2019	61,185	148,309	(98,708)	11,584
Loss for the year	(3,394)	-	(3,394)	-
<u>Other comprehensive income</u>				
Foreign currency translation	(3,880)	-	-	(3,880)
Other comprehensive income for the year, net of tax	(3,880)	-	-	(3,880)
Total comprehensive income for the year	(7,274)	-	(3,394)	(3,880)
Closing balance at 31 March 2020	53,911	148,309	(102,102)	7,704
2019				
Opening balance at 1 April 2018	70,281	148,309	(94,002)	15,974
Loss for the year	(4,706)	-	(4,706)	-
<u>Other comprehensive income</u>				
Foreign currency translation	(4,390)	-	-	(4,390)
Other comprehensive income for the year, net of tax	(4,390)	-	-	(4,390)
Total comprehensive income for the year	(9,096)	-	(4,706)	(4,390)
Closing balance at 31 March 2019	61,185	148,309	(98,708)	11,584

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 March 2020

(Amounts expressed in Hong Kong Dollars)

	Note	Group	
		2020 HK\$'000	2019 HK\$'000
Operating activities			
Loss before tax from continuing operations		(6,692)	(4,763)
Loss before tax from discontinued operation	11	-	(394)
Loss before tax, total		(6,692)	(5,157)
<u>Adjustments for:</u>			
Depreciation of property, plant and equipment	12	1,950	1,377
Amortisation of intangible assets	13	16	-
Inventories written-down, net	7	-	286
Reversal of write-down of inventories, net	6	(195)	-
Impairment loss on doubtful trade and other receivables	7	39	110
Gain on disposal of property, plant and equipment	6	-	(44)
Amortisation of deferred government grants	21	(180)	-
Interest income	5	(632)	(590)
Unrealised exchange gain		(126)	(2,338)
Total adjustments		872	(1,199)
Operating cash flows before changes in working capital		(5,820)	(6,356)
<u>Changes in working capital</u>			
Decrease/(increase) in:			
Trade and other receivables		547	12,387
Inventories		(3,456)	(233)
Prepayments		(6,827)	(1,020)
(Decrease)/increase in:			
Trade and other payables		(370)	(2,791)
Other liabilities		857	(133)
Amount due to related parties, net		311	(57)
Total changes in working capital		(8,938)	8,153
Cash flows (used in)/from operations		(14,758)	1,797
Interest received		632	590
Income taxes paid		-	(390)
Net cash flows (used in)/generated from operating activities		(14,126)	1,997
Investing activities			
Purchase of property, plant and equipment	12	(1,573)	(4,005)
Proceeds from disposal of property, plant and equipment		-	44
Purchase of computer software	13	(98)	-
Placement in short-term deposit with terms more than three months		(27,350)	-
Net cash outflow on disposal of subsidiaries		-	(773)
Net cash flows used in investing activities		(29,021)	(4,734)
Financing activities			
Dividends paid to non-controlling interests		-	(6,348)
Net cash flows used in financing activities		-	(6,348)
Net decrease in cash and cash equivalents		(43,147)	(9,085)
Effect of exchange rate changes on cash and cash equivalents		(2,801)	(3,762)
Cash and cash equivalents at 1 April		51,194	64,041
Cash and cash equivalents at 31 March	18	5,246	51,194

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

1. Corporate information

China Kunda Technology Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange.

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

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies and disclosure

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 3: <i>Definition of a Business</i>	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: <i>Definition of Material</i>	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an investor and its Associate or Joint Venture</i>	Date to be determined

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

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

(b) Business combinations and goodwill

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

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

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

2.5 Transactions with non-controlling interests

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Summary of significant accounting policies (continued)

2.6 Foreign currency

The financial statements are presented in Hong Kong Dollars. The functional currency of the Company is Renminbi ("RMB"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

2.7 Property, plant and equipment

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

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

	<u>Years</u>
Office equipment	– 2 to 5
Plant and machinery	– 3 to 10
Motor vehicles	– 4 to 5
Renovations	– 3 to 5

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

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

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

2.8 Intangible assets

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

2. Summary of significant accounting policies (continued)

2.8 Intangible assets (continued)

The useful lives of intangible assets are assessed as finite.

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

(i) Research and development costs

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

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

(ii) Computer software

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

2.9 Impairment of non-financial assets

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

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

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

2.10 Subsidiaries

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

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Summary of significant accounting policies (continued)

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, through amortisation process.

(ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gain and losses and interest calculated using the effective interest method are recognised in profit or loss.

The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

(iii) Fair value through profit or loss

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

De-recognition

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

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.12 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For bill receivables at fair value through OCI, the Group accesses the credit risk of the financial institution, which issues the bills at every reporting date. The Group evaluates whether the bills are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Summary of significant accounting policies (continued)

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Inventories

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

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

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

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

2.15 Provisions

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

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

2.16 Government grants

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

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

2.17 Employee benefits

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore Company in the Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (continued)

2.17 *Employee benefits (continued)*

Defined contribution plans (continued)

Subsidiaries incorporated in the PRC are required to provide certain staff pension benefits to their employees under existing PRC legislation. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for paying pensions to the PRC's subsidiaries' retired employees.

2.18 *Leases*

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.9 Impairment of non-financial assets.

As at 31 March 2020, the Group does not have right-of-use assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

As at 31 March 2020, the Group does not have lease liabilities.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Summary of significant accounting policies (continued)

2.18 Leases (continued)

Group as a lessee (continued)

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.19 Discontinued operations

A component of the Group is classified as a “discontinued operation” when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of separate major line of business or geographical area of operations.

2.20 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised goods or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of IMD mould and IMD products

Revenue from the sale of IMD mould and sale of IMD products is recognised at a point in time when control of the goods are transferred to the customer, generally upon delivery.

(b) Sale of furniture

Revenue from the sale of furniture is recognised at a point in time when control of the goods are transferred to the customer, generally upon delivery.

2.21 Taxes

(a) Current income tax

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

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

2. Summary of significant accounting policies (continued)

2.21 Taxes (continued)

(b) *Deferred tax*

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

(c) *Sales tax*

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Summary of significant accounting policies (continued)

2.22 Share capital and share issue expenses

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

2.23 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods. Management is of the opinion that there is no significant judgment made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial period.

3.1 Key sources of estimation uncertainty

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

- (i) *Provision for expected credit losses of trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

3. Significant accounting judgments and estimates (continued)

(i) Provision for expected credit losses of trade receivables (continued)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 15.

The carrying amount of trade receivables as at 31 March 2020 amounted to HK\$8,768,000 (2019: HK\$9,512,000).

(ii) Impairment assessment for property, plant and equipment

As at 31 March 2020, the carrying amount of property, plant and equipment was HK\$5,050,000 (2019: HK\$5,793,000). The recoverable amounts of the cash generating units which property, plant and equipment has been allocated to are determined based on value in use calculations, which are based on discounted cashflow models. The recoverable amount is most sensitive to the discount rate used for the discounted cashflow models as well as growth rate used for extrapolation purposes. The key assumptions applied in determination of the value in use are disclosed in Note 12 to the financial statements.

4. Revenue

(a) Disaggregation of revenue

Segments	IMD and Plastic Injection Parts		Furniture		Total revenue	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Primary geographical markets						
People's Republic of China ("PRC")	36,659	34,370	3,300	2,356	39,959	36,726
Europe	1,798	2,786	-	-	1,798	2,786
Others	65	160	-	-	65	160
	<u>38,522</u>	<u>37,316</u>	<u>3,300</u>	<u>2,356</u>	<u>41,822</u>	<u>39,672</u>
Major products						
IMD products	34,763	36,284	-	-	34,763	36,284
IMD moulds	3,759	1,032	-	-	3,759	1,032
Electrical appliances	-	-	2,643	2,356	2,643	2,356
Cabinetry products	-	-	657	-	657	-
	<u>38,522</u>	<u>37,316</u>	<u>3,300</u>	<u>2,356</u>	<u>41,822</u>	<u>39,672</u>
Timing of transfer of goods						
At a point in time	<u>38,522</u>	<u>37,316</u>	<u>3,300</u>	<u>2,356</u>	<u>41,822</u>	<u>39,672</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

4. Revenue (continued)

(b) Contract liabilities

Information about contract liabilities from contracts with customers is disclosed as follows:

	Group	
	2020 HK\$'000	2019 HK\$'000
Contract liabilities	1,940	1,312

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for sale of IMD products, IMD moulds, furniture and medical equipment.

Contract liabilities are recognised as revenue as the Group performs under the contract. Revenue recognised during the year that was included in the contract liabilities at the beginning of the year amounted to HK\$ 1,312,000 (2019: HK\$ 1,017,000)

5. Interest income

	Group	
	2020 HK\$'000	2019 HK\$'000
Interest income from bank balances	1,632	578

6. Other income

	Group	
	2020 HK\$'000	2019 HK\$'000
Gain on disposal of property, plant and equipment	-	44
Sale of raw materials/scrap materials	407	120
Government grants related to income	270	60
Net foreign exchange gain	126	1,639
Foreign currency translation reclassified from other comprehensive income on loss of control in subsidiaries	-	699
Reversal of write-down of inventories, net	195	-
	998	2,562

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

7. Other expenses

	Group	
	2020	2019
	HK\$'000	HK\$'000
Impairment loss on trade and other receivables	39	110
Inventories written-down, net	-	286
Others	-	12
	39	408
	39	408

8. Loss before tax from continuing operations

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

	Note	Group	
		2020	2019
		HK\$'000	HK\$'000
Audit fees:			
- Auditors of the Company		370	376
- Other auditors		337	351
Non-audit fees paid to auditors of the Company		34	35
Depreciation of property, plant and equipment	12	1,950	1,377
Amortisation of intangible asset	13	16	-
Employee benefits expense	24	17,727	16,166
Operating lease expense	27	-	1,785
Expenses relating to short-term leases	26	2,222	-
Research expenses		2,673	2,412
Inventories recognised as an expense in cost of sales	14	30,433	28,931
		30,433	28,931

9. Income tax expense

Major components of income tax credit

The major components of income tax credit for the years ended 31 March 2020 and 2019 are:

	Group	
	2020	2019
	HK\$'000	HK\$'000
Consolidated income statement:		
Current income taxation:		
- Current income taxation	-	-
- Under provision in respect of previous years	-	-
Income tax attributable to continuing operations	-	-
Income tax attributable to discontinued operation (Note 11(d))	-	1,428
Income tax credit recognised in profit and loss	-	1,428

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

9. Income tax expense (continued)

Relationship between tax expense and accounting profit

A reconciliation between tax credit and the product of accounting profit multiplied by the applicable corporate tax rates for the financial years ended 31 March 2020 and 2019 is as follows:

	Group	
	2020 HK\$'000	2019 HK\$'000
Loss before tax from continuing operations	(6,692)	(4,763)
Loss before tax from discontinued operation (Note 11(b))	-	(394)
Accounting loss before tax	<u>(6,692)</u>	<u>(5,157)</u>
Tax at the domestic rates applicable to profits in the countries where the Group operates	1,423	(90)
Adjustments:		
Non-deductible expenses	(924)	(899)
Income not subject to taxation	327	1,471
Deferred tax assets not recognised	(846)	(655)
Over provision in respect of previous years	-	1,428
Benefits from previously unrecognised tax losses	20	173
Income tax credit recognised in profit or loss	<u>-</u>	<u>1,428</u>

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

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

The Company is incorporated in Singapore and the corporate income tax rate applicable to the Company for the financial years ended 31 March 2020 and 31 March 2019 is 17%. No provision for income tax has been made as the Company has no assessable profits for the financial years ended 31 March 2020 and 31 March 2019.

(ii) Kunda Plastic Electronic (Shenzhen) Co., Ltd ("KPE")

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

During the financial year ended 31 March 2020, KPE qualified for the Technologically Advanced Domestic Enterprise status and obtained the approval from the relevant tax authorities. Accordingly, KPE is subjected to a reduced tax rate of 15% from 1 January 2020 to 31 December 2022.

(iii) Kunda Industrial Limited ("BVI")

BVI was incorporated in the British Virgin Islands ("BVI") under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from payment of British Virgin Islands income taxes. Under the prevailing PRC Income Tax Law, BVI is being treated as having a permanent establishment in the PRC as BVI rendered its services in the PRC through its employees stationed in Shenzhen. Accordingly, a portion of the technical service fee earned by BVI is regarded as onshore taxable income and is subjected to the PRC applicable tax rate of 25% for the financial year ended 31 March 2010. The rendering of technical services has ceased on 28 July 2009. Hence, BVI does not have any taxable profits for the financial years ended 31 March 2020 and 31 March 2019.

9. Income tax expense (continued)

Relationship between tax expense and accounting profit (continued)

(iv) Yick Kwan Tat Enterprise Co., Ltd. ("YKT")

YKT is incorporated in Hong Kong and is subjected to a tax rate of 16.5% for the financial years ended 31 March 2020 and 31 March 2019.

(v) Shenzhen Shi Er Ju Quan Wu Ding Zhi Co., Ltd. ("SEJ")

Pursuant to the Enterprise Income Tax of the PRC (the "EIT Law") promulgated by the National People's Congress on 16 March 2007 (effective from 1 January 2008), resident and non-resident enterprises deriving income from the PRC are subject to Enterprise Income Tax ("EIT"). Under the EIT Law, EIT applies to all enterprises, including Foreign-invested enterprises and domestic enterprises. The general applicable EIT rate in the PRC is 25%. No provision for income tax has been made as SEJ has no assessable profits for the financial years ended 31 March 2020 and 31 March 2019.

Unrecognised tax losses

As at the end of the reporting period, the Group has deductible tax losses of HK\$7,656,000 (2019: HK\$5,008,000), that are available for offset against future taxable profits of the companies in which the losses arose.

10. Loss per share

(a) *Continuing operations*

Basic loss per share from continuing operations are calculated by dividing loss from continuing operations, net of tax, attributable to owners of the Company by the weighted average of the 409,800,000 (2019: 409,800,000) ordinary shares outstanding during the financial year.

The basic and diluted loss per share of the Group are the same as there were no potential dilutive ordinary shares outstanding as at 31 March 2020 and 2019.

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

	Group	
	2020	2019
	HK\$'000	HK\$'000
Loss for the year attributable to owners of the Company	(6,692)	(4,173)
Less: Profit from discontinued operation, net of tax, attributable to owners of the Company	-	(590)
Loss from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic and diluted loss per share from continuing operations	(6,692)	(4,763)

(b) *Loss per share computation*

The basic and diluted loss per share are calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic and diluted earnings per share computation. These loss and share data are presented in Note 10(a) above.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

11. Investment in subsidiaries

	Company	
	2020	2019
	HK\$'000	HK\$'000
Shares, at cost	73,487	78,579
Impairment losses	(30,752)	(32,883)
	<u>42,735</u>	<u>45,696</u>

(a) Composition of the Group

The Group has the following significant investments in subsidiaries.

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership	
			2020	2019
			%	%
Held by the Company				
Kunda Industrial Limited ⁽¹⁾	British Virgin Islands	Provision of technical services	100	100
Yick Kwan Tat Enterprise Company Limited. ⁽²⁾	Hong Kong	Supply of raw materials, machinery and provision of management services for the purposes of manufacture and sale of plastic injection parts and sale of IMD products	100	100
Held through Yick Kwan Tat Enterprise Company Limited:				
Kunda Plastic Electronics (Shenzhen) Company Limited. ⁽³⁾	People's Republic of China	Manufacture and sale of moulds and IMD products	100	100
Held through Kunda Plastic Electronics (Shenzhen) Company Limited:				
Shenzhen Shi Er Ju Quan Wu Ding Zhi Company Limited. ⁽¹⁾	People's Republic of China	Production and supply of furniture and fittings	100	100

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

11. Investment in subsidiaries (continued)

(b) *De-consolidation of subsidiaries and discontinued operations*

On 14 August 2017, the Group had commenced the closure of the automobile component production facility in Beijing. In November 2017, the Group had ceased its production of automobile components in Beijing after the fulfilment of outstanding orders to the automobile component customers.

On 14 September 2018, the Company announced the entry into a sale and purchase agreement with an independent third-party purchaser to dispose Beijing Baiju Automobile Component Company Limited ("BBJ") and Beijing Baiju Automobile Component Sales Company Limited ("BBJS") through the sale of its 57% equity interest in BBJ at a consideration of approximately RMB 2.0 million (equivalent to HK\$ 2,346,000). The consideration was fully settled in cash. The disposal was completed on 24 October 2018.

The value of assets and liabilities of BBJ and BBJS, recorded in the consolidated financial statements as at 24 October 2018, and the effects of the disposal are as follows:

	2019 HK\$'000
Bill receivables	2,533
Cash and cash equivalents	3,119
Tax receivables	64
	5,716
Other payables	(35)
Other liabilities	(1,566)
Carrying value of net assets	4,115
Cash consideration	2,346
Cash and cash equivalents of the subsidiary	(3,119)
Net cash outflow on disposal of the subsidiary	(773)

The operating performance of BBJ and BBJS had been presented separately under "Profit from discontinued operation, net of tax" on the Income Statement. The results of discontinued operation for the period are presented below

Income statement disclosures

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

	Group 2019 HK\$'000
Revenue	-
Expenses	(406)
Loss from operations	(406)
Interest income	12
Loss before tax from discontinued operation	(394)
Income tax credit	1,428
Profit from discontinued operation, net of tax	1,034

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

11. Investment in subsidiaries (continued)

(b) *De-consolidation of subsidiaries and discontinued operations (continued)*

Cash flow statement disclosures

The cash flows attributable to discontinued operations are as follows:

	Group 2019 HK\$'000
Operating	1,296
Investing	-
Financing	(6,348)
Net cash outflows	<u>(5,052)</u>
	Group 2019

Earnings per share disclosures

Earnings per share from discontinued operation attributable to owners of the Company (HK cents per share)

Basic and diluted	<u>0.1</u>
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The basic and diluted earnings per share from discontinued operation are calculated by dividing the profit from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic loss per share and diluted earnings per share computation.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

12. Property, plant and equipment

Group	Office equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Renovations HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost						
At 1 April 2018	221	28,443	2,514	3,351	137	34,666
Additions	114	820	-	154	2,917	4,005
Disposals	-	(255)	-	-	-	(255)
De-consolidation of subsidiaries	-	-	(475)	-	-	(475)
Transfer	-	-	-	3,046	(3,046)	-
Exchange differences	(14)	(1,073)	(80)	(209)	(8)	(1,384)
At 31 March 2019 and 1 April 2019	321	27,935	1,959	6,342	-	36,557
Additions	149	1,037	176	211	-	1,573
Exchange differences	(25)	(1,423)	(131)	(416)	-	(1,995)
At 31 March 2020	445	27,549	2,004	6,137	-	36,135
Accumulated depreciation						
At 1 April 2018	221	27,794	1,232	2,083	-	31,330
Depreciation charge for the year	3	240	361	773	-	1,377
Disposals	-	(255)	-	-	-	(255)
De-consolidation of subsidiaries	-	-	(475)	-	-	(475)
Exchange differences	(14)	(1,033)	(36)	(130)	-	(1,213)
At 31 March 2019 and 1 April 2019	210	26,746	1,082	2,726	-	30,764
Depreciation charge for the year	56	343	372	1,179	-	1,950
Exchange differences	(15)	(1,327)	(80)	(207)	-	(1,629)
At 31 March 2020	251	25,762	1,374	3,698	-	31,085
Net carrying amount						
At 31 March 2019	111	1,189	877	3,616	-	5,793
At 31 March 2020	194	1,787	630	2,439	-	5,050

Impairment testing of property, plant and equipment

The carrying amounts of property, plant and equipment allocated to the IMD and plastic injection parts CGU and furniture CGU which are also the reportable segments are HK\$4.1 million and HK\$1 million, respectively. The recoverable amounts of the CGUs have been determined based on value in use. The calculation of value in use is most sensitive to the following assumptions:

Revenue growth rate: Revenue growth rate is based on management's estimate with reference to historical performance and future business outlook and ranges from 6% to 26%.

Discount rate: The discount rate applied in determining the recoverable amount was 15.2%.

Sensitivity to changes in assumptions

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the property, plant and equipment to materially exceed its recoverable amount.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

13. Intangible assets

Group	Deferred development costs HK\$'000	Computer software HK\$'000	Total HK\$'000
Cost			
At 1 April 2018	42,021	96	42,117
Exchange differences	(2,624)	1	(2,623)
De-consolidation of subsidiaries	-	(97)	(97)
	39,397	-	39,397
At 31 March 2019 and 1 April 2019	39,397	-	39,397
Additions	-	98	98
Exchange differences	(2,552)	(3)	(2,555)
	36,845	95	36,940
At 31 March 2020	36,845	95	36,940
Accumulated amortisation and impairment			
At 1 April 2018	42,021	96	42,117
Exchange differences	(2,624)	1	(2,623)
De-consolidation of subsidiaries	-	(97)	(97)
	39,397	-	39,397
At 31 March 2019 and 1 April 2019	39,397	-	39,397
Amortisation for the year	-	16	16
Exchange differences	(2,552)	-	(2,552)
	36,845	16	36,861
At 31 March 2020	36,845	16	36,861
Net carrying amount			
At 31 March 2019	-	-	-
At 31 March 2020	-	79	79

Deferred development costs

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

14. Inventories

	Group	
	2020 HK\$'000	2019 HK\$'000
Balance sheet:		
Raw materials (at cost)	1,141	1,202
Work-in-progress (at cost)	4,303	1,035
Finished goods (at cost or net realizable value)	808	642
	6,252	2,879
	2020 HK\$'000	2019 HK\$'000
Income statement:		
Inventories recognised as an expense in cost of sales (Note 8)	30,433	28,931
Inventories written-down, net is included in the "Other expenses" line item in profit or loss	-	286
Reversal of write-down, net of inventories is included in the "Other income" line item in profit or loss	(195)	-
	(195)	-

Reversal of write-down of inventories was made when the related inventories were sold above the carrying value.

15. Trade and other receivables

	Group		Company	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Trade receivables	8,768	9,512	-	-
Bills receivables	-	596	-	-
Deposits	1	1	-	-
Other receivables	462	372	-	-
	9,231	10,481	-	-
Total trade and other receivables				
Add: Amounts due from related parties (Note 17)	-	128	12,310	15,949
Add: Cash and short-term deposits (Note 18)	32,596	51,194	722	1,398
Less: Bills receivables at FVOCI	-	(596)	-	-
	41,827	61,207	13,032	17,347
Total financial assets carried at amortised cost				

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

15. Trade and other receivables (continued)

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 180 days' terms (2019: 30 to 120 days'). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

	Group	
	2020	2019
	HK\$'000	HK\$'000
United States Dollar	59	147

Bills receivables

Bills receivables are generally on 30 to 180 days' terms (2019: 30 to 180 days).

Other receivables

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

Amount due from related parties

Amount due from related parties are non-trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

Expected credit loss

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group	
	2020	2019
	HK\$'000	HK\$'000
Movement in allowance accounts:		
At 1 April	692	1,177
Charge for the year	39	110
De-consolidation of subsidiaries	-	(514)
Exchange differences	(46)	(81)
At 31 March	685	692

16. Prepayments

	Group		Company	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current:				
Advances to suppliers	7,606	1,018	-	-
Prepaid operating expenses	67	70	67	70
	<u>7,673</u>	<u>1,088</u>	<u>67</u>	<u>70</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

17. Amounts due from/to related parties

	Group		Company	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
<u>Amounts due from related parties</u>				
Subsidiaries, non-trade ⁽¹⁾	-	-	12,310	15,949
Director-related company, non-trade ⁽²⁾	-	128	-	-
	<u>-</u>	<u>128</u>	<u>12,310</u>	<u>15,949</u>
<u>Amounts due to related parties</u>				
Director-related company, non-trade ⁽³⁾	388	-	-	-
Director, non-trade ⁽⁴⁾	39	266	-	-
	<u>427</u>	<u>266</u>	<u>-</u>	<u>-</u>

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

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

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

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

18. Cash and short-term deposits

	Group		Company	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Cash at banks and on hand	5,246	33,647	722	1,398
Short-term deposits	27,350	17,547	-	-
	<u>32,596</u>	<u>51,194</u>	<u>722</u>	<u>1,398</u>
Less: Short-term deposit with terms more than three months	(27,350)	-	-	-
Cash and cash equivalents in the consolidated cash flow statement	<u>5,246</u>	<u>51,194</u>	<u>722</u>	<u>1,398</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods up to six months (2019: three months), depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average effective rate as at 31 March 2020 for the Group was 1.7% (2019: 0.7%) per annum respectively.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

18. Cash and short-term deposits (continued)

Cash at banks and on hand denominated in foreign currencies, other than the respective functional currencies of the Group entities at 31 March are as follows:

	Group		Company	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Singapore Dollar	722	1,398	722	1,398
United States Dollar	2,391	1,751	-	-
Hong Kong Dollar	193	-	-	-

19. Trade and other payables

	Group		Company	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Trade payables	3,953	4,979	-	-
Other payables	562	235	304	-
Total trade and other payables	4,515	5,214	304	-
Add: Amounts due to related parties (Note 17)	427	266	-	-
Add: Accrued operating expenses (Note 20)	5,226	5,247	1,619	1,928
Total financial liabilities carried at amortised cost	10,168	10,727	1,923	1,928

Trade payables

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

20. Other liabilities

	Group		Company	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Accrued operating expenses	5,226	5,247	1,619	1,928
Contract liabilities	1,940	1,312	-	-
VAT and other tax payables	336	569	-	-
	7,502	7,128	1,619	1,928

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

21. Deferred government grants

	Group	
	2020 HK\$'000	2019 HK\$'000
Cost:		
At 1 April	2,527	2,695
Exchange differences	(164)	(168)
At 31 March	<u>2,363</u>	<u>2,527</u>
Accumulated amortisation:		
At 1 April	2,340	2,495
Amortisation for the year	180	-
Exchange differences	(157)	(155)
At 31 March	<u>2,363</u>	<u>2,340</u>
Net carrying amount:		
Current	<u>-</u>	<u>187</u>

Deferred capital grants mainly relate to government grants received for the development of certain projects undertaken by the Group's subsidiary in People's Republic of China to promote technology advancement. The conditions attached to these grants had been fulfilled as at 31 March 2020.

22. Share capital

	Group and Company			
	2020		2019	
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
Issued and fully paid ordinary shares				
At 1 April and at 31 March	<u>409,800</u>	<u>148,309</u>	<u>409,800</u>	<u>148,309</u>

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

23. Other reserves

(a) *Restructuring reserve*

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

(b) *Statutory reserve fund*

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, the subsidiaries are required to make appropriation to a Statutory Reserve Fund (“SRF”). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the reserve fund reaches 50% of the subsidiary’s registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

(c) *Foreign currency translation reserve*

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

24. Segment Information

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

(a) *In-Mould Decoration (“IMD”) and Plastic injection parts*

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

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

(b) *Furniture*

The furniture segment supplies furniture and fittings which includes but not limited to cabinets, appliances, surfaces, woodwares, decorative products and other related activities.

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

24. Segment Information (continued)

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

2020	IMD and Plastic injection parts HK\$'000	Furniture HK\$'000	Note	Per consolidated financial statements HK\$'000
Revenue				
Sales to external customers	38,522	3,300		41,822
Segment results:				
Segment gross profit	10,984	405		11,389
Depreciation of property, plant and equipment	(1,203)	(747)		(1,950)
Amortisation of intangible asset		(16)		(16)
Impairment loss on trade and other receivables	(39)	-		(39)
Reversal of impairment loss on inventories	195	-		195
Research expenses	(2,509)	(164)		(2,673)
Unallocated expenses, net			A	(13,598)
Loss before tax				(6,692)
Assets:				
Additions to non-current assets	601	972	B	1,573
Segment assets:	55,373	5,508		60,881
Segment liabilities:	12,321	169		12,490

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

24. Segment information (continued)

2019	IMD and Plastic injection parts HK\$'000	Furniture HK\$'000	Note	Per consolidated financial statements HK\$'000
Revenue				
Sales to external customers	37,316	2,356		39,672
Segment results:				
Segment gross profit	9,811	211		10,022
Depreciation of property, plant and equipment	(1,221)	(156)		(1,377)
Impairment loss on trade and other receivables	(110)	-		(110)
Impairment loss on inventories	(286)	-		(286)
Gain on disposal of property, plant and equipment	44	-		44
Research expenses	(2,412)	-		(2,412)
Unallocated expenses, net			A	(10,644)
Loss before tax				(4,763)
Assets:				
Additions to non-current assets	829	3,176	B	4,005
Segment assets:	63,001	8,562		71,563
Segment liabilities:	12,603	241		12,844
Notes	Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements			

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

24. Segment information (continued)

- A The net unallocated expenses mainly comprise of employee benefits and operating lease expenses under General and administrative expenses and employee benefits under Selling and distribution expenses.

	2020	2019
	HK\$'000	HK\$'000
Unallocated employee benefits under General and administrative expenses	(8,355)	(6,951)
Unallocated employee benefits under Selling and distribution expenses	(847)	(1,126)
Unallocated operating lease expenses under General and administrative expenses	(725)	(463)
Unallocated net foreign exchange gain under Other expenses	126	1,639
Unallocated government grant related to income under Other income	270	60
Unallocated cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity on loss of control of the subsidiary under Other income	-	699
Unallocated corporate expenses	(4,699)	(5,080)
Unallocated interest income	632	578
	(13,598)	(10,644)

- B Additions to non-current assets consist of additions to property, plant and equipment and intangible assets (2019: additions to property, plant and equipment).

Geographical information

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

	Revenue		Non-current assets	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	39,959	36,726	5,129	5,793
Europe	1,798	2,786	-	-
Others	65	160	-	-
	41,822	39,672	5,129	5,793

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

24. Segment information (continued)

Information about major customers

Revenue from three major customers from the continuing operation amounted to HK\$23,611,000 (2019: three major customers amounted to HK\$22,052,000) arising from sales by the IMD and plastic injection parts.

Employee benefits from continuing operation

	Group	
	2020	2019
	HK\$'000	HK\$'000
Employee benefits expense (including directors):		
Salaries and bonuses	15,062	13,768
Directors' fees (Note 25(b))	857	1,105
Contribution to defined contribution plans	1,216	662
Other personnel expenses	592	631
	<u>17,727</u>	<u>16,166</u>

25. Related party transactions

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

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

	Group	
	2020	2019
	HK\$'000	HK\$'000
Rental of factory premises charged by a director related company	<u>2,222</u>	<u>1,785</u>

(b) *Compensation of key management personnel*

	Group	
	2020	2019
	HK\$'000	HK\$'000
Salaries and bonuses	3,220	3,261
Directors' fees	857	1,105
Contribution to defined contribution plans	141	161
	<u>4,218</u>	<u>4,527</u>
Comprises amounts paid to:		
Directors of the Company	2,588	2,862
Other key management personnel	1,630	1,665
	<u>4,218</u>	<u>4,527</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

26. Leases

Group as a lessee

The Group has leases of factory and office premises with lease terms of twelve months. The Group applies the 'short-term leases' recognition exemption for these leases.

The following are the amounts recognised in profit or loss:

	Group 2020 HK\$'000
Expenses relating to short-term leases recognised in:	
Cost of sales	1,497
- General and administrative expenses	725
Total amount recognised in profit or loss	<u>2,222</u>

27. Commitments

Operating lease commitments – as lessee

The Group has entered into commercial leases relating to the rental of factory and office premises. These leases have an average tenure of twelve months with no contingent rent provision included in the contracts. The future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group 2019 HK\$'000
Not later than one year	<u>526</u>

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

Minimum lease payments recognised as an expense in the income statement for the financial year ended 31 March 2019 amounted to HK\$1,785,000.

28. Financial risk management objectives and policies

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

28. Financial risk management objectives and policies (continued)

Credit risk

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

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

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

To assess whether there is a significant increase in credit risk, the Group and the Company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk other financial instruments of the same borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and change in the operating results of the borrower.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group and the Company continue to engage enforcement activity to attempt to recover the receivable due. When recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for financial assets.

28. Financial risk management objectives and policies (continued)

Credit risk (continued)

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables, using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 31 March 2020 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix, grouped by product line:

IMD and Plastic injection parts

Group	Trade receivables past due						Total
	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 365 days	>365 days	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 March 2020							
Gross carrying amount	898	83	8	47	657	597	2,290
Loss allowance provision	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43)</u>	<u>(45)</u>	<u>(597)</u>	<u>(685)</u>
31 March 2019							
Gross carrying amount	1,562	398	168	8	71	684	2,891
Loss allowance provision	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8)</u>	<u>(684)</u>	<u>(692)</u>

As at end of reporting period, there has been no credit risk exposure on the Group's trade receivables within furniture segment.

Information regarding loss allowance movement of trade receivables are disclosed in Note 15.

Exposure to credit risk

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

Excessive risk concentration

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

28. Financial risk management objectives and policies (continued)

Credit risk (continued)

Credit risk concentration profile

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

	Group	
	2020 HK\$'000	2019 HK\$'000
By products:		
IMD	7,363	8,336
Furniture	1,405	1,176
	<u>8,768</u>	<u>9,512</u>

As at 31 March 2020, approximately 33% (2019: 52%) of the Group's trade receivables relates to three (2019: two) major customers from IMD and plastic injection parts segment and furniture segment.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15 (Trade and other receivables).

Liquidity risk

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

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

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.

Financial instruments whose cash flow amounts approximate carrying amounts

The Group has determined that the cash flows of cash and other short-term deposits, trade and other receivables, trade payables, other payables, accrued operating expenses and amount due to related parties, secured on their notional amounts, reasonably approximate their carrying amounts because these have contractual maturities for one year or less.

28. Financial risk management objectives and policies (continued)

Interest rate risk

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

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

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 50 (2019: 50) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been approximately HK\$18,000 (2019: HK\$135,000) higher/lower, arising mainly as a result of higher/lower interest income from floating rate deposits placed with the banks at the end of the reporting period.

Foreign currency risk

The Group holds cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in Singapore Dollar and United States Dollars.

The Group has not entered into any hedge transactions.

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

Sensitivity analysis for foreign currency risk

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

	Group	
	2020	2019
	HK\$'000	HK\$'000
	Loss after tax	Loss after tax
USD/ RMB - strengthened 3% (2019: 3%)	(60)	-
- weakened 3% (2019: 3%)	60	-
USD/ HKD - strengthened 3% (2019: 3%)	-	(44)
- weakened 3% (2019: 3%)	-	44
HKD/ RMB - strengthened 3% (2019: 3%)	(5)	-
- weakened 3% (2019: 3%)	5	-
SGD/ RMB - strengthened 3% (2019: 3%)	(18)	(35)
- weakened 3% (2019: 3%)	18	35
USD/ RMB - strengthened 3% (2019: 3%)	(2)	(4)
- weakened 3% (2019: 3%)	2	4
	2	4

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

29. Capital management

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 March 2020 and 2019.

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

		Group	
	Note	2020	2019
		HK\$'000	HK\$'000
Trade payables and other payables	19	4,515	5,214
Other liabilities	20	7,502	7,128
Amounts due to related parties	17	427	266
Less: Cash and short-term deposits	18	(32,596)	(51,194)
Net cash surplus		(20,152)	(38,586)
Equity attributable to the owners of the Company		48,391	58,719
Total capital		48,391	58,719
Capital and net cash surplus		28,239	20,133
Gearing ratio		-	-

30. Events occurring after the reporting period

The recent outbreak of the COVID-19 pandemic has posed severe challenges globally. A series of precautionary and control measures have been and continued to be implemented across the world and have affected the business and economic activities to some extent.

Despite signs of China economy slowly opening as COVID-19 situation is brought under control in April 2020, it is not possible to estimate the full impacts of the outbreak's near-term or longer effects. The scale and duration of these developments remain uncertain as at the date of this report as it remains challenging to predict the financial impacts of the COVID-19 pandemic to the business.

As at the date on which this set of consolidated financial statements were authorised for issue, the Group was not aware of any material adverse effects on the 2020 consolidated financial statements as a result of the COVID-19 outbreak.

31. Authorisation of financial statements

The financial statements for the financial year ended 31 March 2020 were authorised for issue in accordance with a resolution of the directors on 30 July 2020.

STATISTICS OF SHAREHOLDINGS

As at 22 July 2020

Issued and fully paid up share capital	:	HK\$148,309,000
Number of shares	:	409,800,000
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	57	7.79	51,186	0.01
1,001 - 10,000	106	14.48	762,704	0.19
10,001 - 1,000,000	546	74.59	60,233,218	14.70
1,000,001 AND ABOVE	23	3.14	348,752,892	85.10
TOTAL	732	100.00	409,800,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CHINA HONGDA HOLDINGS LIMITED	123,084,000	30.04
2	PHILLIP SECURITIES PTE LTD	45,335,292	11.06
3	RHB SECURITIES SINGAPORE PTE. LTD.	40,862,000	9.97
4	OCBC SECURITIES PRIVATE LIMITED	40,478,600	9.88
5	GOOD MORAL TECHNOLOGY LIMITED	19,200,000	4.69
6	DBS NOMINEES (PRIVATE) LIMITED	14,727,100	3.59
7	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	13,096,900	3.20
8	CHERRY EQUITY PARTNERS LIMITED	13,023,000	3.18
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	12,340,000	3.01
10	RAFFLES NOMINEES (PTE.) LIMITED	4,254,400	1.04
11	UOB KAY HIAN PRIVATE LIMITED	4,209,900	1.03
12	TEO AH BAN	2,569,900	0.63
13	TAN LYE SENG	1,964,600	0.48
14	LIM & TAN SECURITIES PTE LTD	1,933,200	0.47
15	CHEN JING	1,650,000	0.40
16	SAM PENG PUING	1,500,000	0.37
17	YEAP AI MAY	1,480,000	0.36
18	EST OF LIM CHIN TEE, DEC'D	1,321,000	0.32
19	OH KAH LOCK	1,251,000	0.31
20	KANG YIAN KEE	1,200,000	0.29
TOTAL		345,480,892	84.32

STATISTICS OF SHAREHOLDINGS

As at 22 July 2020

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 22 July 2020.

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

Notes:

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

FREE FLOAT

As at 22 July 2020, approximately 65.22% of the issued ordinary shares of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting (“AGM”) of **China Kunda Technology Holdings Limited** (the “Company”) will be held by way of electronic means on the 27th day of August 2020 at 9.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and, if approved, to adopt the Audited Accounts for the financial year ended 31 March 2020 together with the Directors’ Report and Independent Auditors’ Report thereon.
Resolution 1
2. To approve the payment of Directors’ Fees of S\$146,300 for the financial year ended 31 March 2020 (2019: S\$200,000).
Resolution 2
3. To re-elect Mr Hau Khee Wee as Director of the Company retiring pursuant to Regulation 107 of the Company’s Constitution.
[See Explanatory Note (i)]
Resolution 3
4. To re-elect Mr Lam Kwong Fai as Director of the Company retiring pursuant to Regulation 117 of the Company’s Constitution.
[See Explanatory Note (ii)]
Resolution 4
5. To re-appoint Messrs Ernst & Young LLP, as Auditors of the Company and to authorise the Directors to fix their remuneration.
Resolution 5
6. To transact any other ordinary business which may be properly transacted at the AGM.

AS SPECIAL BUSINESS

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

7. **Authority to allot and issue new shares in the capital of the Company**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) and Rule 806 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (“**Catalist Rules**”), the Directors be and are hereby authorised to:

- (a)
 - (i) allot and issue shares in the capital of the Company (“**Shares**”) (whether by way of rights, bonus or otherwise); and/or
 - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments exchangeable into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:
 - (i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed one hundred per cent (100%) of the total issued Shares excluding treasury shares (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total issued Shares excluding treasury shares (as calculated in accordance with sub-paragraph (ii) below); and

NOTICE OF ANNUAL GENERAL MEETING

- (ii) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under subparagraph (i) above, the percentage of the total number of issued Shares excluding treasury shares shall be calculated based on the total number of issued Shares excluding treasury shares at the time this Resolution is passed, after adjusting for:
- (1) new Shares arising from the conversion or exercise of convertible securities;
 - (2) new Shares arising from exercising of share options or vesting of share awards, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
 - (3) any subsequent bonus issue, consolidation or subdivision of Shares;
- Adjustments in accordance with (1) or (2) are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.
- (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Company's Constitution for the time being of the Company; and
- (iv) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

Resolution 6

BY ORDER OF THE BOARD

ONG WEI JIN
COMPANY SECRETARY

5 August 2020
SINGAPORE

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON RESOLUTIONS TO BE PASSED:

- (i) Mr Hau Khee Wee will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee of the Company. Mr Hau will be considered independent for the purpose of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr Hau and the other Directors, the Company, its related corporations and its 5% shareholders. Pursuant to Rule 720(5) of the Catalist Rules, the information relating to Mr Hau Khee Wee as set out in the Appendix 7F of the Catalist Rules is disclosed in pages 19 to 24 of this Annual Report.
- (ii) Mr Lam Kwong Fai will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr Lam will be considered independent for the purpose of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr Lam and the other Directors, the Company, its related corporations and its 5% shareholders. Pursuant to Rule 720(5) of the Catalist Rules, the information relating to Mr Lam Kwong Fai as set out in the Appendix 7F of the Catalist Rules is disclosed in pages 19 to 24 of this Annual Report.

NOTES:

- (i) A member (including a relevant intermediary*) entitled to vote at the AGM must appoint Chairman of the AGM to act as proxy and direct the vote at the AGM.

* "relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

- (ii) The instrument appointing the Chairman of the AGM as the proxy must be signed by the appointor or his/her/its attorney duly authorized in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand or any officer or attorney duly authorized.
- (iii) Where this instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney or a notarially certified copy thereof (failing previous registration with the Company) must be lodged with this instrument of proxy, failing which this instrument of proxy may be treated as invalid.
- (iv) **PERSONAL DATA PRIVACY:** By submitting an instrument appointing the a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF ANNUAL GENERAL MEETING

IMPORTANT NOTICE ON AGM ARRANGEMENT IN LIGHT OF COVID-19

The AGM is being convened, and will be held, only by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of AGM and the accompanying Annual Report 2020 and proxy form will not be sent to members of the Company. Instead, these documents will be made available on SGXNet at the URL <https://www.sgx.com/securities/company-announcements>.

This notice sets out the Company's arrangements relating to, among others, attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to, or at the AGM and/or voting by appointing the Chairman of the AGM as proxy at the AGM.

In light of the current COVID-19 situation and the related elevated safe distancing measures put in place in Singapore, a member (including a relevant intermediary*) will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.

* "relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

Members may participate at the AGM by following the steps set out below:

1. Registration for Live Webcast

Members will be able to follow the proceedings of the AGM through a live audio-visual webcast or live audio-only stream (collectively, "**Live Webcast**") via mobile phone, tablet, computer or any such electronic device.

In order to do so, a member, including SRS Investors must pre-register **by no later than 9.00 a.m. on 17 August 2020** ("**Registration Deadline**"), at the URL <https://www.sg.conveneagm.com/chinakunda>, for authentication of their status as members.

Members who have been authenticated will receive email instructions to access the Live Webcast of the proceedings of the AGM by **9.00 a.m. on 26 August 2020**. Members who have registered by the Registration Deadline but did not receive email instructions by **9.00 a.m. on 26 August 2020** may contact the share registrar by phone call at +65 6230 9768 for assistance.

Members must not forward the abovementioned email instructions to other persons who are not members and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the Live Webcast.

Investors who hold shares through relevant intermediaries as defined in Section 181(C) of the Companies Act, other than SRS Investors, and wish to participate in the AGM should, in addition to pre-registering, approach their respective agents, by **5.00 p.m. on 14 August 2020**, so that the necessary arrangements can be made by the relevant agents for their participating in the AGM.

2. Members' Queries

Members will not be able to speak or ask questions during the Live Webcast. It is important to note that any questions must be submitted in advance of the AGM.

All questions by must be submitted **by no later than 9.00 a.m. on 17 August 2020** to the Company:

- (a) **via the pre-registration website** at the URL <http://www.sg.conveneagm.com/chinakunda>; or
- (b) **via email** to: alex@chinakunda.com.

For verification purpose, when submitting any questions via email, members **MUST** provide the Company with their particulars (comprising full name (for individuals)/company name (for corporates), email address, contact number, NRIC/passport number / company registration number, shareholding type and number of shares held).

The Company will endeavor to address the substantial queries from members prior to, or at the AGM and upload the Company's responses on the SGXNet. The minutes of the AGM, which including responses to substantial queries from the Members which are addressed during the AGM, shall thereafter be published on SGXNet, within one (1) month from the conclusion of the AGM.

Investors who hold shares through relevant intermediaries as defined in Section 181(C) of the Companies Act, including SRS Investors, can submit their questions in relation to any resolution set out in the Notice of AGM upon pre-registration, however, they should, in addition to pre-registering, approach their respective agents by **5.00 p.m. on 14 August 2020**, so that the necessary arrangements can be made by the relevant agents for their participation in the AGM.

NOTICE OF ANNUAL GENERAL MEETING

3. Proxy Voting

A member (including a relevant intermediary will not be able to attend the AGM physically in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. The instrument appointing the Chairman of the AGM as proxy has been uploaded together with this Notice of AGM on SGXNet on the same day.

Members (whether individual or corporate) appointing the Chairman of the AGM as proxy must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid.

The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:

- (a) in hard copy **by post** to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623; or
- (b) **via email** to: srs.teamd@boardroomlimited.com.

in either case, **not less than 48 hours** before the time for holding the AGM and at any adjournment thereof.

A member who wishes to submit an instrument of proxy by (a) and (b) must first download the proxy form, which is available on SGXNet at the URL <https://www.sgx.com/securities/company-announcements>, complete and sign the proxy form, before submitting it by post to the address provided above, or scanning and sending it by email to the email address provided above. In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by posts, members are strongly encouraged to submit completed proxy forms electronically by email.

Investors who hold shares through relevant intermediaries as defined in Section 181(C) of the Companies Act, including SRS investors, and wish to appoint the Chairman of the AGM as proxy, should approach their respective agents to submit their votes by **5.00 p.m. on 14 August 2020** in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf by **9.00 a.m. on 25 August 2020**.

The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM as proxy (such as in the case where the appointor submits more than one instrument of proxy).

In the case of shares entered in the Depository Register, a Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to appoint the Chairman of the AGM as proxy.

IMPORTANT NOTICE: Due to the evolving COVID-19 situation in Singapore, the Company may change the AGM arrangements at short notice. The Company will announce any changes to the holding or conduct of the AGM via the SGXNet and Shareholders are advised to check the SGXNet regularly for updates prior to the AGM.

Further, in view of the current COVID-19 measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED

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

PROXY FORM ANNUAL GENERAL MEETING

*I/We, _____ (Name) _____ (*NRIC/Passport/Registration No.)
of _____ (Address)

being a *member/members of CHINA KUNDA TECHNOLOGY HOLDINGS LIMITED (the “**Company**”), hereby appoint the Chairman of the Annual General Meeting of the Company (“**AGM**”) as *my/our proxy to vote for *me/us on *my/our behalf at the AGM to be held by way of electronic means on **27 August 2020 at 9.00 a.m.** and at any adjournment thereof.

*I/We direct the Chairman of the AGM to vote for, or against, or to abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the Chairman of the AGM will vote or abstain from voting at his discretion. All resolutions put to the vote at the AGM shall be decided by way of poll.

* Please delete accordingly

(Voting will be conducted by poll. If you wish the Chairman of the AGM as your proxy to cast all your votes for or against a resolution to be proposed at the AGM, please indicate with a “X” in the space provided under “No. of Votes For” or “No. of Votes Against”. If you wish the Chairman of the AGM as your proxy to abstain from voting on a resolution to be proposed at the AGM, please indicate with a “X” in the space provided under “Abstain from Voting”. Alternatively, please indicate the number of shares that the Chairman of the AGM as your proxy is directed to vote for or against or to abstain from voting. In the absence of specific directions, the appointment of the Chairman of the AGM as your proxy will be treated as invalid.)

No.	Resolutions relating to:	No. of Votes For	No. of Votes Against	Abstain from Voting
Ordinary Business				
1.	Adoption of Audited Accounts, Directors’ Statement and Independent Auditors’ Report for the financial year ended 31 March 2020.			
2.	Payment of Directors’ Fees of \$146,300 for the financial year ended 31 March 2020.			
3.	Re-election of Mr Hau Khee Wee as a Director of the Company.			
4.	Re-election of Mr Lam Kwong Fai as a Director of the Company.			
5.	Re-appointment of Ernst & Young LLP as the Company’s Auditors and to authorise the Directors to fix the Auditors’ remuneration			
Special Business				
6.	Authority to Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50			

Dated this _____ day of _____ 2020

Total number of Shares in	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature(s) of Shareholder(s)
or Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM



Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.
2. A member of the Company ("**Member**") (including a relevant intermediary*) will not be able to attend the AGM physically in person. If a Member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a Member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in this proxy form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

* "relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

3. SRS Investors who wish to appoint the Chairman of the AGM as proxy should approach their respective SRS Operators to submit their votes by **5.00 p.m. on 14 August 2020** in order to allow sufficient time for their respective SRS Operators to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.
4. The Chairman of the AGM, as proxy, need not be a Member of the Company.
5. The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:
 - (a) if **by post** to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623; or
 - (b) if sent **by email** to: srs.teamd@boardroomlimited.com.

in either case, **not less than 48 hours** before the time for holding the AGM and at any adjournment thereof.

6. The instrument appointing the Chairman of the AGM as the proxy must be signed by the appointor or his/her/its attorney duly authorized in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorized.
7. Where this instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney or other authority, the power of attorney or authority or a notarially certified copy thereof must be lodged with this instrument of proxy, failing which this instrument of proxy may be treated as invalid.
8. The Company shall be entitled to reject the instrument appointing the Chairman of the AGM if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM as proxy (such as in the case where the appointor submits more than one instrument of proxy).
9. In the case of shares entered in the Depository Register, a Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to appoint the Chairman of the AGM.
10. **Personal Data Privacy:** By submitting an instrument appointing a proxy(ies) and/or representative(s), the Member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated **5 August 2020**.

Directors

Cai Kaoqun
Cai Kaobing
Hau Khee Wee
Lim Yit Keong
Lam Kwong Fai

Company Secretaries

Ong Wei Jin
Chen Jianhao Kennedy

Registered Office

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

Bankers

Overseas-Chinese Banking Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
Shenzhen Rural Commercial Bank
Ping An Bank
Shanghai Pudong Development Bank

Share Registrar

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

Auditor

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner in charge: Tan Po Hsiong Jonathan (since financial year ended 31 March 2017)

Continuing Sponsor

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318



China Kunda Technology Holdings Limited
10 Anson Road, #27-15 International Plaza, Singapore 079903
Tel: (65) 68178944 Email: ir@chinakunda.com

CREB
Tel: (65) 63276398