

Issuer: China Kunda Technology Holdings Ltd

Security: China Kunda Technology Holdings Ltd

Meeting details:

Date: 27 July 2017

Time: 9.30 a.m.

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

Company Description

China Kunda Technology Holdings Limited, an investment holding company, provides precision molds, plastic injection parts, and in-mold decoration (IMD) products to the electronic, electrical, automobile, and specialized devices industries in the People's Republic of China. It operates through two segments, IMD and Plastic Injection Parts, and Automobile Component Parts. The company also supplies raw materials and machineries; and provides technical and management services. It serves OEM and ODM customers. China Kunda Technology Holdings Limited was founded in 1998 and is based in Shenzhen, the People's Republic of China.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=GU5)

Q1. In the Chairman's Statement (page 2 of the annual report), the Chairman had indicated that following a 6.6% decline in the group's total revenue in FY2017, sales of automobile component to Beijing Hyundai is expected to remain weak.

On 17 July 2017, the company issued a profit guidance that, based on a preliminary assessment of the unaudited financial results for the first quarter ended 30 June 2017, the group expects to report a net loss for 1Q2018. The net loss expected to be incurred is mainly attributable to:

1) A net loss recorded by the Group's automobile component parts segment in 1Q2018 as a result of a significant decline in revenue amid adverse market conditions as compared to a net profit in 1Q2017; and

2) A net foreign currency exchange loss recorded in 1Q2018, from the Reminbi denominated payable balances of our subsidiary in Hong Kong owing to our subsidiaries in People's Republic of China and British Virgin Islands, arising from depreciation of Hong Kong dollars against Reminbi of approximately 2.1% as compared to an appreciation of 2.9% in 1Q2017.

- a) **Can management elaborate further if the significant decline in revenue is a result of the client reducing its business activities or is that a result of the client picking other suppliers?**
- b) The group relied on a single major customer and, in 2017, the customer accounted for 76.8% of the group's total revenue. **What are management's efforts to diversify its revenue base by securing new customers?**
- c) **Other than automotive customers, can the group think out of the box and reconfigure the current equipment to serve customers from other sectors?**

Q2. Following the approval of the proposed diversification of the business of the group into the water business, it was disclosed that the company has "ceased negotiations with the potential party as both parties could not agree on the terms".

- a) **What are the potential projects that the group would be interested in?**
- b) **What resources or expertise does the group have to allow it to compete in the water sector?**

As at 31 March 2017, the group has HK\$43.1 million in cash and cash equivalents, current liabilities totalling HK\$52.4 million and total equity of HK\$74.0 million. The group's gearing ratio (as defined by net debt divided by total capital plus net debt) stood at 15% at the end of the financial year.

- c) **What is the scale of a typical water treatment project that the company has evaluated?**
- d) **Given that the typical water treatment project requires huge capital investments upfront, how is the company able to fund its diversification efforts?**

Q3. In the Report of Corporate Governance (page 12), it was disclosed that each of the two Independent Directors, namely Mr Lim Yit Keong and Mr Ho Chew Thim, have served on the board for more than 9 years. Both Mr Lim and Mr Ho were appointed to the board on 18 June 2008.

In addition, Mr Ho Chew Thim now sits on the board of seven other listed companies, namely, Yongmao Holdings Limited, Mencast Holdings Ltd, Hengyang Petrochemical Logistics Limited, DeClout Limited, Manulife US Real Estate Management Pte Ltd and Procurri Corporation Limited.

Mr Ho Chew Thim is also the lead Independent Director of the company, a member of the nominating committee, a member of the remuneration committee and the chair of the audit committee of the company.

Notwithstanding that the nominating committee, with the concurrence of the Board, has concluded that Mr Lim and Mr Ho are independent, Guideline 2.4 of the Code of Corporate Governance 2012 calls for the board to “also take into account the need for progressive refreshing of the Board”.

- a) **Can the board provide more detail on its plans to ensure the progressive refreshing of the board?**
- b) **Please also disclose the company’s search and nomination process for new independent directors.**