



嘉靈控股集團有限公司

Karin Technology Holdings Limited

(Incorporated in Bermuda on 30 August 2002)

(Company Registration Number 32514)

Half Year Financial Statements And Dividend Announcement
for the Six Months Ended 31 December 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) A statement of profit or loss and other comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group half year financial statements for the period ended 31 December 2016. These figures have not been audited.

Group Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2016

	Group		
	6 months to 31 Dec 2016 HK\$'000	6 months to 31 Dec 2015 HK\$'000	% increase/ (decrease)
REVENUE	943,531	1,262,156	(25.2)
Cost of sales	(856,886)	(1,175,479)	(27.1)
Gross profit	86,645	86,677	0.0
Other income and gains, net	2,050	2,020	1.5
Selling and distribution costs	(29,507)	(32,068)	(8.0)
Administrative expenses	(46,675)	(44,576)	4.7
Other expenses, net	(3,249)	(5,006)	(35.1)
Finance costs	(1,240)	(1,130)	9.7
Share of profit of an associate	529	365	44.9
PROFIT BEFORE TAX	8,553	6,282	36.2
Income tax expense	(3,163)	(2,566)	23.3
PROFIT FOR THE PERIOD	<u>5,390</u>	<u>3,716</u>	45.0
Profit/(loss) for the period attributable to:			
Owners of the Company	5,175	5,628	(8.0)
Non-controlling interests	<u>215</u>	(1,912)	NM
	<u>5,390</u>	<u>3,716</u>	45.0

Group Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2016 (continued)

	Group		
	6 months to 31 Dec 2016 HK\$'000	6 months to 31 Dec 2015 HK\$'000	% increase/ (decrease)
PROFIT FOR THE PERIOD	5,390	3,716	45.0
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Exchange differences on translation of foreign operations	(6,445)	(5,920)	(8.9)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(1,055)</u>	<u>(2,204)</u>	(52.1)
Total comprehensive income/(loss) attributable to:			
Owners of the Company	(1,270)	(292)	334.9
Non-controlling interests	<u>215</u>	<u>(1,912)</u>	NM
	<u>(1,055)</u>	<u>(2,204)</u>	NM

NM: Not Meaningful

The Group's profit before tax is arrived at after charging/(crediting):

	Group	
	6 months to 31 Dec 2016 HK\$'000	6 months to 31 Dec 2015 HK\$'000
Depreciation	20,097	15,853
Impairment of trade receivables	1,247	2,703
Write-down/(reversal of write-down) of inventories to net realisable value and write-off of obsolete inventories	(478)	1,795
Fair value loss on derivative financial instruments	136	408
Bank interest income	(130)	(537)
Gross rental income	(746)	(1,079)
Foreign exchange differences, net	1,859	1,702
Gain on disposal of items of property, plant and equipment	(56)	(127)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31 December 2016 HK\$'000	30 June 2016 HK\$'000	31 December 2016 HK\$'000	30 June 2016 HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	430,938	458,643	-	-
Investment properties	28,099	30,071	-	-
Goodwill	2,098	2,098	-	-
Investment in subsidiaries	-	-	76,308	76,308
Investment in an associate	1,677	1,148	-	-
Financial asset at fair value through profit or loss	2,401	2,401	-	-
Deferred tax assets	2,671	1,649	-	-
Factored trade receivables	1,900	2,850	-	-
Prepayments	598	598	-	-
Trade receivable	9,106	9,106	-	-
Total non-current assets	<u>479,488</u>	<u>508,564</u>	<u>76,308</u>	<u>76,308</u>
CURRENT ASSETS				
Inventories	135,903	194,016	-	-
Trade and bills receivables	358,435	370,082	-	-
Factored trade receivables	1,482	1,566	-	-
Prepayments, deposits and other receivables	71,455	86,918	-	-
Amounts due from subsidiaries	-	-	48,547	48,755
Forward currency contracts	212	347	-	-
Income tax recoverable	-	17	55	17
Cash and cash equivalents	60,301	34,148	601	1,322
Total current assets	<u>627,788</u>	<u>687,094</u>	<u>49,203</u>	<u>50,094</u>
CURRENT LIABILITIES				
Trade and bills payables	173,147	201,593	-	-
Other payables and accruals	111,867	91,690	196	1,166
Income tax payable	5,162	10,145	-	-
Interest-bearing bank and other borrowings	95,347	141,121	-	-
Total current liabilities	<u>385,523</u>	<u>444,549</u>	<u>196</u>	<u>1,166</u>
NET CURRENT ASSETS	<u>242,265</u>	<u>242,545</u>	<u>49,007</u>	<u>48,928</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	721,753	751,109	125,315	125,236
NON-CURRENT LIABILITIES				
Other borrowings	950	2,888	-	-
Deferred tax liabilities	69,765	70,823	-	-
Total non-current liabilities	<u>70,715</u>	<u>73,711</u>	-	-
Net assets	<u>651,038</u>	<u>677,398</u>	<u>125,315</u>	<u>125,236</u>

	Group		Company	
	31 December 2016 HK\$'000	30 June 2016 HK\$'000	31 December 2016 HK\$'000	30 June 2016 HK\$'000
EQUITY				
Equity attributable to owners of the Company				
Issued capital	21,446	21,446	21,446	21,446
Treasury shares	(19)	(19)	(19)	(19)
Reserves	<u>631,248</u>	<u>657,823</u>	<u>103,888</u>	<u>103,809</u>
	652,675	679,250	125,315	125,236
Non-controlling interests	(1,637)	(1,852)	-	-
Total equity	<u>651,038</u>	<u>677,398</u>	<u>125,315</u>	<u>125,236</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31 December 2016		As at 30 June 2016	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
160	95,187	161	140,960

Amount repayable after one year

As at 31 December 2016		As at 30 June 2016	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
211	739	302	2,586

Details of any collaterals

The above unsecured bank and other borrowings of HK\$95,926,000 and HK\$143,546,000 included bank borrowings of HK\$95,833,000 and HK\$139,403,000 which were covered by cross guarantees given by the Company and certain of its subsidiaries as at 31 December 2016 and 30 June 2016 respectively.

The finance lease obligations of HK\$371,000 and HK\$463,000 were secured by the underlying assets acquired as at 31 December 2016 and 30 June 2016 respectively.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Six months ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	8,553	6,282
Adjustments for:		
Bank interest income	(130)	(537)
Write-down/(reversal of written-down) of inventories to net realisable value and write-off of obsolete inventories	(478)	1,795
Depreciation	20,097	15,853
Fair value loss on derivative financial instruments, net	136	408
Expense recognised in respect of treasury shares awarded	-	1,014
Impairment of trade receivables	1,247	2,703
Gain on disposal of items of property, plant and equipment	(56)	(127)
Finance costs	1,240	1,130
Share of profit of an associate	(529)	(365)
	<u>30,080</u>	<u>28,156</u>
Decrease/(increase) in inventories	58,591	(30,908)
Decrease in trade and bills receivables	10,400	78,072
Decrease/(increase) in factored trade receivables	1,034	(2,957)
Decrease/(increase) in prepayments, deposits and other receivables	15,463	(31,231)
Decrease in trade and bills payables	(28,446)	(8,089)
Increase/(decrease) in other payables and accruals	<u>20,177</u>	<u>(5,125)</u>
Cash generated from operations	107,299	27,918
Interest on bank and other borrowings paid	(1,230)	(1,117)
Interest element on finance lease rental payments	(10)	(13)
Dividends paid to the owners of the Company	(25,305)	(19,297)
Dividend paid to a non-controlling shareholder	-	(4,800)
Income tax paid	<u>(7,918)</u>	<u>(10,595)</u>
Net cash flows from/(used in) operating activities	<u>72,836</u>	<u>(7,904)</u>

	Group	
	Six months ended	
	31 December	
	2016	2015
	HK\$'000	HK\$'000
Net cash flows from/(used in) operating activities	<u>72,836</u>	<u>(7,904)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of items of property, plant and equipment	146	537
Proceed from disposal of a subsidiary	17,691	-
Purchases of items of property, plant and equipment	(12,325)	(2,238)
Tax refund of purchase of an investment property	1,411	-
Interest received	<u>130</u>	<u>594</u>
Net cash flows from/(used in) investing activities	<u>7,053</u>	<u>(1,107)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	999,401	566,726
Repayment of bank and other borrowings	(1,045,464)	(539,755)
Decrease in trust receipt and import loans	-	(47,321)
Capital element of finance lease rental payments	<u>(77)</u>	<u>(87)</u>
Net cash flows used in financing activities	<u>(46,140)</u>	<u>(20,437)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	33,749	(29,448)
Cash and cash equivalents at beginning of period	34,148	138,627
Effect of foreign exchange rate changes, net	<u>(7,596)</u>	<u>(10,075)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>60,301</u></u>	<u><u>99,104</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	40,432	73,960
Time deposits	<u>19,869</u>	<u>25,144</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	<u><u>60,301</u></u>	<u><u>99,104</u></u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group

	Attributable to owners of the Company											
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2015	21,441	(888)	45,424	898	134	258,720	2,784	12,776	302,551	643,840	22,648	666,488
Total comprehensive income for the period	-	-	-	-	-	-	-	(5,920)	5,628	(292)	(1,912)	(2,204)
Distribution of treasury shares	-	888	126	-	-	-	-	-	-	1,014	-	1,014
Final 2015 dividend paid	-	-	-	-	-	-	-	-	(19,297)	(19,297)	-	(19,297)
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	(4,800)	(4,800)
At 31 December 2015	<u>21,441</u>	<u>-</u>	<u>45,550</u>	<u>898</u>	<u>134</u>	<u>258,720</u>	<u>2,784</u>	<u>6,856</u>	<u>288,882</u>	<u>625,265</u>	<u>15,936</u>	<u>641,201</u>

Group

	Attributable to owners of the Company											
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2016	21,446	(19)	45,587	898	115	321,940	2,826	269	286,188	679,250	(1,852)	677,398
Total comprehensive income for the period	-	-	-	-	-	-	-	(6,445)	5,175	(1,270)	215	(1,055)
Final 2016 dividend paid	-	-	-	-	-	-	-	-	(25,305)	(25,305)	-	(25,305)
At 31 December 2016	<u>21,446</u>	<u>(19)</u>	<u>45,587</u>	<u>898</u>	<u>115</u>	<u>321,940</u>	<u>2,826</u>	<u>(6,176)</u>	<u>266,058</u>	<u>652,675</u>	<u>(1,637)</u>	<u>651,038</u>

Company

	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 July 2015	21,441	(888)	45,424	36,311	134	21,935	124,357
Total comprehensive income for the period	-	-	-	-	-	20,463	20,463
Distribution of treasury shares	-	888	126	-	-	-	1,014
Final 2015 dividend paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,297)</u>	<u>(19,297)</u>
At 31 December 2015	<u>21,441</u>	<u>-</u>	<u>45,550</u>	<u>36,311</u>	<u>134</u>	<u>23,101</u>	<u>126,537</u>
At 1 July 2016	21,446	(19)	45,587	36,311	115	21,796	125,236
Total comprehensive income for the period	-	-	-	-	-	25,384	25,384
Final 2016 dividend paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,305)</u>	<u>(25,305)</u>
At 31 December 2016	<u>21,446</u>	<u>(19)</u>	<u>45,587</u>	<u>36,311</u>	<u>115</u>	<u>21,875</u>	<u>125,315</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the second half for the year ended 30 June 2016, pursuant to the 2009 Share Buyback mandate, the Company had purchased 1,312,000 of its own shares (the “**Shares**”) and holds such Shares as treasury shares. All the 1,312,000 Shares were market purchases with the highest and lowest purchase price per share paid by the Company of S\$0.270 and S\$0.275 respectively, amounting to an aggregate purchase price of S\$357,000 equivalent to HK\$2,004,000.

As at 1 July 2016, the Company held 12,000 (1 July 2015: 500,000) treasury shares. During the six months ended 31 December 2016, the Company had not purchased any (31 December 2015: nil) of the Shares pursuant to the 2009 Share Buyback mandate.

During the six months ended 31 December 2016, the Company had not issued any (31 December 2015: nil) new shares, upon the exercise of options under the Karin Employees Share Option Scheme.

	6 months to 31 Dec 2016			6 months to 31 Dec 2015		
Exercise price per share	S\$0.1264	S\$0.1608	S\$0.1060	S\$0.1264	S\$0.1608	S\$0.1060
Number of new shares issued	-	-	-	-	-	-

As at 31 December 2016, the Company’s share capital was HK\$21,446,000 (30 June 2016: HK\$21,446,000) comprising 214,460,000 (30 June 2016: 214,460,000) ordinary shares including 12,000 (30 June 2016: 12,000) treasury shares.

The share options outstanding as at 31 December 2016 was 300,000 (30 June 2016: 300,000) which could be convertible to 300,000 (30 June 2016: 300,000) ordinary shares of the Company upon exercise.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

Total number of issued shares excluding treasury shares as at 31 December 2016 was 214,448,000 (30 June 2016: 214,448,000).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposal, cancellation nor use of treasury shares during the period under review.

During the year ended 30 June 2016, the Company had totally distributed 1,800,000 treasury shares held to key executives other than Directors as extra bonus for achieving the Performance Target relating to the financial year ended 30 June 2015 pursuant to the Karin Performance Share Plan.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as described in point 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the six months ended 31 December 2016 as compared with the audited financial statements of the Group for the year ended 30 June 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the following new and revised/amendments to International Financial Reporting Standards ("IFRSs") for the first time in the financial statements for the financial year ending 30 June 2017:

Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to IAS 1	<i>Disclosure Initiative</i>
Amendments to IAS 16 IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to IAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
Annual Improvements 2012-2014 cycle	<i>Amendments to a number of IFRSs</i>

The adoption of the above new and revised/amendments to IFRSs, has had no significant financial effect and there have been no significant changes to the accounting policies applied in these financial statements for the period ended 31 December 2016.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Group

	Six months ended 31 December	
	2016	2015
Earnings per ordinary share of the Group, after deducting any provision for preference dividends (in HK cents):		
- Based on weighted average number of ordinary shares on issue (HK cents)	<u>2.41</u>	<u>2.63</u>
- On a fully diluted basis (HK cents)	<u>2.41</u>	<u>2.62</u>
Profit attributable to the owners of the Company for earnings per share (HK\$'000)	<u>5,175</u>	<u>5,628</u>

The calculation of basic earnings per share for the six months ended 31 December 2016 and 2015 is based on the profit attributable to the ordinary shareholders of the Company for the respective periods and the weighted average of 214,448,000 and 214,347,500 shares respectively.

The calculation of diluted earnings per share amounts is based on the profit attributable to ordinary shareholders of the Company for the respective periods and 214,605,983 (2015: 214,554,251) ordinary shares, which was the weighted average of 214,448,000 (2015: 214,347,500) ordinary shares in issue during the six months ended 31 December 2016, and the weighted average of 157,983 (2015: 206,751) ordinary shares deemed to have been issued at no consideration on the deemed exercise of all outstanding share options during the period under review.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.

	<u>Group</u>		<u>Company</u>	
	As at 31 December 2016	As at 30 June 2016	As at 31 December 2016	As at 30 June 2016
Net asset value per ordinary share (HK cents)	303.6	315.9	58.4	58.4

Net asset value per ordinary share as at 31 December 2016 and 30 June 2016 was calculated based on the issued share capital excluding treasury shares of 214,448,000 and 214,448,000 ordinary shares as at 31 December 2016 and 30 June 2016 respectively.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Profit and Loss

Revenue

Consolidated revenue of the Group for the six months ended 31 December 2016 decreased by HK\$318.7 million or 25.2% to HK\$943.5 million from HK\$1,262.2 million for the corresponding period last year.

Revenue from our Components Distribution ("CD") segment decreased by HK\$18.8 million or 4.1%, from HK\$460.4 million for the six months ended 31 December 2015 to HK\$441.6 million for the six months ended 31 December 2016. The decrease was mostly due to slow down in demand for certain electronic components for smart phones and postponement of certain industrial materials and instrumentation related infrastructure projects during the period under review.

Revenue from our Information Technology Infrastructure ("IT Infrastructure") segment increased by HK\$19.4 million or 4.3%, from HK\$451.7 million for the six months ended 31 December 2015 to HK\$471.1 million for the six months ended 31 December 2016. The increase was mostly due to demand for network security products and enterprise software and hardware products that remained strong during the period under review.

Revenue from our Consumer Electronics Products ("CEP") segment decreased by HK\$319.3 million or 91.2%, from HK\$350.1 million for the six months ended 31 December 2015 to HK\$30.8 million for the six months ended 31 December 2016. In view of the increase in the number of Apple flagship stores in Hong Kong which negatively impacted our retail stores' business during the year ended 30 June 2016, the Group's retail arm, KCF A Store Limited, had been disposed off on 30 June 2016. As a result, revenue from our CEP segment decreased substantially during the period under review.

Gross profit

Gross profit for the six months ended 31 December 2016 and 2015 remained at approximately HK\$86.6 million. However, gross profit margin increased by 2.3% from 6.9% for the six months ended 31 December 2015 to 9.2% for the six months ended 31 December 2016. The increase was mainly due to the disposal of the low margin retail arm on 30 June 2016.

Other income and gains, net

The net other income and gains for the six months ended 31 December 2016 and 2015 remained stable at approximately HK\$2.0 million.

Selling and distribution costs

Selling and distribution costs decreased by approximately HK\$2.6 million or 8.0% from HK\$32.1 million for the six months ended 31 December 2015 to HK\$29.5 million for the six months ended 31 December 2016. The decrease was mainly attributed to (1) decrease in rent and rates of HK\$3.7 million due to no retail shop rental during the period under review; and (2) decrease in bank charge of HK\$0.6 million due to decrease in revenue and offset by increase in salary, bonus and commission totally HK\$1.9 million.

Administrative expenses

Administrative expenses increased by approximately HK\$2.1 million or 4.7%, from HK\$44.6 million for the six months ended 31 December 2015 to HK\$46.7 million for the six months ended 31 December 2016. The increase was mainly due to increase in depreciation charge of HK\$3.8 million as a result of the acquisition of an office building in Singapore towards the end of last financial year and offset by (1) decrease in rent and rates of HK\$0.7 million due to no retail arm office rental during the period under review; (2) decrease in secretarial and accounting fee of HK\$0.4 million after the disposal of KCF A Store Limited; (3) decrease in recruitment fee of HK\$0.3 million; and (4) decrease in other PRC local government levy of \$0.3 million as a result of reduced revenue in the PRC.

Other expenses, net

Net other expenses decreased by approximately HK\$1.8 million or 35.1%, from HK\$5.0 million for the six months ended 31 December 2015 to HK\$3.2 million for the six months ended 31 December 2016. The change was mainly due to (1) a decrease in bad debt of HK\$1.5 million; and (2) decrease in fair value losses on derivative financial instruments of HK\$0.3 million.

Finance costs

Finance costs increased by approximately HK\$0.1 million or 9.7%, from HK\$1.1 million for the six months ended 31 December 2015 to HK\$1.2 million for the six months ended 31 December 2016. The increase was mostly due to the increase in cashing bills receivable to banks in the PRC for financing operations in the PRC.

Income tax expense

Income tax expense rate decreased to 37.0% (31 December 2015: 40.8%) during the period under review but was still relatively high as tax losses in certain subsidiaries could not qualified for capitalising, and therefore did not reduce consolidated income tax expense.

Net Profit

Net profit attributable to owners of the Company decreased by HK\$0.4 million or 8.0%, from HK\$5.6 million for the six months ended 31 December 2015 to HK\$5.2 million for the six months ended 31 December 2016. Profit after tax increased by 45.0% as a result of improved gross profit margins, overall reduction in expenses and a small decrease in the income tax rate as described above.

Statement of Financial Position

Non-current assets

Non-current assets comprised goodwill of HK\$2.1 million; investment properties, office equipment, leasehold land and buildings and motor vehicles totaling HK\$459.0 million; investment in an associate of HK\$1.7 million; prepayment for office renovation of HK\$0.6 million; a factored trade receivable of HK\$1.9 million; a trade receivable of HK\$9.1 million; financial asset at fair value through profit or loss of HK\$2.4 million and deferred tax assets of HK\$2.7 million. At 31 December 2016, non-current assets amounted to HK\$479.5 million, representing approximately 43.3% of the total assets. There was a decrease in non-current assets amounted to approximately HK\$29.1 million which is mainly due to (1) depreciation of property, plant and equipment; and (2) certain factored trade receivables fell into current portion during the period under review.

Current assets

As at 31 December 2016, current assets amounted to approximately HK\$627.8 million, a decrease of HK\$59.3 million compared to the immediately preceding financial year end as at 30 June 2016. The decrease was mainly due to (1) decrease in inventories by HK\$58.1 million as a result of delivery of in stock inventories during the period under review; (2) decrease in trade and bills receivables by HK\$11.6 million; (3) decrease in prepayments, deposits and other receivables by HK\$15.5 million; and offset by increase in cash and cash equivalents by HK\$26.2 million.

Current liabilities

As at 31 December 2016, current liabilities amounted to approximately HK\$385.5 million, a decrease of HK\$59.0 million compared to the immediately preceding financial year end as at 30 June 2016. The decrease was mainly due to (1) decrease in trade and bills payables by HK\$28.4 million; (2) decrease in income tax payable by HK\$5.0 million; (3) decrease in interest-bearing bank and other borrowings by HK\$45.8 million and offset by increase in other payables and accruals by HK\$20.2 million as a result of cash receipt in advance from certain customers in order to reduce credit risk.

Non-current liabilities

Non-current liabilities amounted to HK\$70.7 million, representing 15.5% of our total liabilities as at 31 December 2016. The amount mainly comprised of deferred tax liabilities. Deferred tax liabilities are recognised as a result of temporary differences between the carrying amounts and tax bases of our land and buildings and investment properties.

Liquidity and cash flow

As at 31 December 2016, cash and cash equivalents amounted to approximately HK\$60.3 million. Total interest bearing loans and borrowings as at 31 December 2016 were HK\$96.3 million and the gearing ratio, which is defined as total borrowings and finance leases payables to shareholders' funds, is 0.15 times (30 June 2016: 0.21 times).

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

As the global market for smart phones has flattened out during the period under review, it is not expected to change the demand for electronic components for smart phones in the near future. The Company however continues to explore opportunities in expanding the distribution of electronic components. On infrastructure projects, there were delays in some projects during the period under review. However, it is anticipated that those postponed projects will be rolling out gradually in the months to come.

The unprecedented internet connectivity of mobile and optical fibre networks has led to numerous security challenges. Data security has always been a hot topic globally as security threats continue to involve ahead of the most advanced defenses. We therefore foresee demand for our network security products, both advanced and entry level software as well as hardware, will remain strong.

During the period under review, there was huge drop in revenue in the CEP segment which was in line with our expectation. We have successfully secured distributorships for a few new prestige consumer electronics products since the disposal of KCF A Store Limited and will continue to negotiate for more distributorships. However, it is not expected that this segment will be able to return to the previous levels of revenue and profit in the near future.

We anticipate that the fluctuating Renminbi exchange rate against Hong Kong dollar as well as uncertainties with regard to new international trade policies may impact on the Group's bottom line going forward.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

Yes. Tax not applicable interim dividend of HK7.8 cents per share amounting to a total of HK\$16,727,000 have been proposed and declared by the Directors.

Name of dividend	Interim
Dividend type	Cash
Dividend amount per share (in HK cents)	7.8 cents per share
Par value of share (in HK cents)	10.0 cents per share
Tax rate	Not applicable

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes.

Name of dividend	Interim	Final
Dividend type	Cash	Cash
Dividend amount per share (in HK cents)	5.0 cents per share	11.8 cents per share
Par value of share (in HK cents)	10.0 cents per share	10.0 cents per share
Tax rate	Not applicable	Not applicable

(c) Date payable

16 March 2017

(d) Books closure date

The Register of Members and Share Transfer Books of the Company will be closed on 7 March 2017, for the purpose of determining Members' entitlements to interim dividend of HK7.8 cents for the financial year ending 30 June 2017. Duly completed registrable transfers in respect of the shares in the Company received up to the close of business at 5:00 p.m. on 6 March 2017 by the Company's Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), 80 Robinson Road, #02-00 Singapore 068898 will be registered to determine Members' entitlements to such dividends. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5:00 p.m. on 6 March 2017 will be entitled to such dividend.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained and there is no IPT during the period under review.

14. Negative Assurance Confirmation On Interim Financial Results Pursuant To Rule 705(5) Of The Listing Manual

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the financial results of the six months ended 31 December 2016 to be false or misleading in any material respect. A statement signed by two directors is on record.

We, Ng Kin Wing and Ng Yuk Wing, being two directors of the Company, do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial results of the six months ended 31 December 2016 to be false or misleading in any material respect.

On behalf of the board of directors

Ng Kin Wing
Executive Chairman/CEO

Ng Yuk Wing
Senior Executive Director

15. Confirmation That The Issuer Has Procured Undertakings From All Its Directors And Executive Officers (in the format set out in Appendix 7.7) Under Rule 720(1) Of The Listing Manual

Pursuant to Rule 720(1) of the Listing Manual, the Company has procured undertakings from all its directors and executive officers.

BY ORDER OF THE BOARD

Ng Kin Wing
Executive Chairman/CEO

9 February 2017