



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 2018

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 2018. These figures have not been audited.

Group Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2018

	Group		
	6 months to 31 Dec 2018 HK\$'000	6 months to 31 Dec 2017 HK\$'000	% increase/ (decrease)
REVENUE	1,059,763	1,053,816	0.6
Cost of sales	(965,281)	(979,233)	(1.4)
Gross profit	94,482	74,583	26.7
Other income and gains, net	1,298	3,991	(67.5)
Selling and distribution costs	(33,740)	(29,998)	12.5
Administrative expenses	(36,909)	(39,322)	(6.1)
Other expenses, net	(7,880)	(1,780)	342.7
Finance costs	(2,387)	(1,576)	51.5
Share of profit of an associate	720	99	627.3
PROFIT BEFORE TAX	15,584	5,997	159.9
Income tax expense	(4,506)	(2,265)	98.9
PROFIT FOR THE PERIOD	<u>11,078</u>	<u>3,732</u>	196.8
Profit for the period attributable to:			
Owners of the Company	11,902	3,230	268.5
Non-controlling interests	(824)	502	NM
	<u>11,078</u>	<u>3,732</u>	196.8

Group Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2018 (continued)

	Group		
	6 months to 31 Dec 2018 HK\$'000	6 months to 31 Dec 2017 HK\$'000	% increase/ (decrease)
PROFIT FOR THE PERIOD	11,078	3,732	196.8
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Exchange differences on translation of foreign operations	(11,297)	(4,815)	134.6
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(219)</u>	<u>(1,083)</u>	(79.8)
Total comprehensive income/(loss) attributable to:			
Owners of the Company	605	(1,585)	(138.2)
Non-controlling interests	(824)	502	NM
	<u>(219)</u>	<u>(1,083)</u>	(79.8)

NM: Not Meaningful

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

	Group	
	6 months to 31 Dec 2018 HK\$'000	6 months to 31 Dec 2017 HK\$'000
Depreciation	5,513	12,832
Impairment of trade receivables	7,617	1,174
Write-down of inventories to net realisable value and write-off of obsolete inventories	12,432	4,367
Fair value loss on derivative financial instruments	47	605
Bank interest income	(218)	(175)
Gross rental income	(724)	(742)
Foreign exchange differences, net	194	(1,963)
Loss on disposal of items of property, plant and equipment	21	-

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 2018 HK\$'000	30 June 2018 HK\$'000	31 December 2018 HK\$'000	30 June 2018 HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	93,558	100,458	-	-
Investment properties	61,403	62,429	-	-
Goodwill	2,098	2,098	-	-
Investment in subsidiaries	-	-	76,308	76,308
Investment in an associate	2,829	2,109	-	-
Deferred tax assets	3,714	3,461	-	-
Factored trade receivables	-	950	-	-
Trade receivable	2,335	2,335	-	-
Total non-current assets	<u>165,937</u>	<u>173,840</u>	<u>76,308</u>	<u>76,308</u>
CURRENT ASSETS				
Inventories	198,517	190,418	-	-
Trade and bills receivables	468,816	429,911	-	-
Factored trade receivables	950	2,979	-	-
Prepayments, deposits and other receivables	70,211	46,367	-	-
Amounts due from subsidiaries	-	-	47,094	49,464
Forward currency contracts	-	8	-	-
Income tax recoverable	-	-	15	-
Cash and cash equivalents	87,839	54,211	965	495
Total current assets	<u>826,333</u>	<u>723,894</u>	<u>48,074</u>	<u>49,959</u>
CURRENT LIABILITIES				
Trade and bills payables	220,323	221,677	-	-
Other payables and accruals	95,066	80,606	2,209	3,156
Amount due to a subsidiary	-	-	1,010	621
Forward currency contracts	38	-	-	-
Income tax payable	649	5,976	-	-
Interest-bearing bank and other borrowings	252,422	140,162	-	-
Total current liabilities	<u>568,498</u>	<u>448,421</u>	<u>3,219</u>	<u>3,777</u>
NET CURRENT ASSETS	<u>257,835</u>	<u>275,473</u>	<u>44,855</u>	<u>46,182</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	423,772	449,313	121,163	122,490
NON-CURRENT LIABILITIES				
Trade payables	8,030	8,030	-	-
Deferred tax liabilities	3,192	3,266	-	-
Total non-current liabilities	<u>11,222</u>	<u>11,296</u>	<u>-</u>	<u>-</u>
Net assets	<u>412,550</u>	<u>438,017</u>	<u>121,163</u>	<u>122,490</u>

	Group		Company	
	31 December 2018 HK\$'000	30 June 2018 HK\$'000	31 December 2018 HK\$'000	30 June 2018 HK\$'000
EQUITY				
Equity attributable to owners of the Company				
Issued capital	21,476	21,461	21,476	21,461
Treasury shares	(19)	(19)	(19)	(19)
Reserves	<u>393,164</u>	<u>417,822</u>	<u>99,706</u>	<u>101,048</u>
	414,621	439,264	121,163	122,490
Non-controlling interests	(2,071)	(1,247)	-	-
Total equity	<u>412,550</u>	<u>438,017</u>	<u>121,163</u>	<u>122,490</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 2018		As at 30 June 2018	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
46	252,376	133	140,029

Amount repayable after one year

As at 31 December 2018		As at 30 June 2018	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
-	-	-	-

Details of any collaterals

The above unsecured bank and other borrowings of HK\$252,376,000 and HK\$140,029,000 included bank borrowings of HK\$245,712,000 and HK\$136,346,000 which were covered by cross guarantees given by the Company and certain of its subsidiaries as at 31 December 2018 and 30 June 2018 respectively.

The finance lease obligations of HK\$46,000 and HK\$133,000 were secured by the underlying assets acquired as at 31 December 2018 and 30 June 2018 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	
	2018	2017
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	15,584	5,997
Adjustments for:		
Bank interest income	(218)	(175)
Write-down of inventories to net realisable value and write-off of obsolete inventories	12,432	4,367
Depreciation	5,513	12,832
Fair value loss on derivative financial instruments, net	47	605
Impairment of trade receivables	7,617	1,174
Loss on disposal of items of property, plant and equipment	21	-
Finance costs	2,387	1,576
Share of profit of an associate	(720)	(99)
	<u>42,663</u>	<u>26,277</u>
Increase in inventories	(20,531)	(67,519)
Increase in trade and bills receivables	(46,522)	(24,174)
Decrease in factored trade receivables	2,979	7,192
Increase in prepayments, deposits and other receivables	(23,844)	(21,639)
Increase/(decrease) in trade and bills payables	(1,354)	52,374
Increase in other payables and accruals	<u>14,460</u>	<u>10,941</u>
Cash used in operations	(32,149)	(16,548)
Interest on bank and other borrowings paid	(2,385)	(1,570)
Interest element on finance lease rental payments	(2)	(6)
Income tax paid	<u>(9,309)</u>	<u>(9,006)</u>
Net cash flows used in operating activities	<u>(43,845)</u>	<u>(27,130)</u>

	Group	
	Six months ended	
	31 December	
	2018	2017
	HK\$'000	HK\$'000
Net cash flows used in operating activities	(43,845)	(27,130)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from disposal of financial assets at fair value through profit or loss	-	9,939
Purchases of items of property, plant and equipment	(695)	(1,089)
Interest received	<u>218</u>	<u>175</u>
Net cash flows from/(used in) investing activities	(477)	<u>9,025</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of employee share options	91	-
New bank and other borrowings	157,590	60,301
Repayment of bank and other borrowings	(53,357)	-
Capital element of finance lease rental payments	(407)	(799)
Dividends paid to the owners of the Company	(25,340)	(21,030)
Net cash flows from financing activities	<u>78,577</u>	<u>38,472</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,255	20,367
Cash and cash equivalents at beginning of period	54,211	56,950
Effect of foreign exchange rate changes, net	(627)	(2,486)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>87,839</u></u>	<u><u>74,831</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	87,839	59,354
Time deposits	<u>-</u>	<u>15,477</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	<u><u>87,839</u></u>	<u><u>74,831</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	Other 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 2017	21,461	(19)	45,760	898	59	-	2,895	(890)	1,953	337,746	409,863	(1,859)	408,004
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(4,815)	3,230	(1,585)	502	(1,083)
Final 2017 dividend paid	-	-	-	-	-	-	-	-	-	(21,030)	(21,030)	-	(21,030)
At 31 December 2017	<u>21,461</u>	<u>(19)</u>	<u>45,760</u>	<u>898</u>	<u>59</u>	<u>-</u>	<u>2,895</u>	<u>(890)</u>	<u>(2,862)</u>	<u>319,946</u>	<u>387,248</u>	<u>(1,357)</u>	<u>385,891</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	Other 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 2018	21,461	(19)	45,760	898	59	28,996	2,895	(890)	9,982	330,122	439,264	(1,247)	438,017
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(11,297)	11,903	606	(824)	(218)
Issue of shares under the 2005 ESOS	15	-	125	-	(49)	-	-	-	-	-	91	-	91
Final 2018 dividend paid	-	-	-	-	-	-	-	-	-	(25,340)	(25,340)	-	(25,340)
At 31 December 2018	<u>21,476</u>	<u>(19)</u>	<u>45,885</u>	<u>898</u>	<u>10</u>	<u>28,996</u>	<u>2,895</u>	<u>(890)</u>	<u>(1,315)</u>	<u>316,685</u>	<u>414,621</u>	<u>(2,071)</u>	<u>412,550</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 2017	21,461	(19)	45,760	36,311	59	21,786	125,358
Total comprehensive income for the period	-	-	-	-	-	21,205	21,205
Final 2017 dividend paid	-	-	-	-	-	(21,030)	(21,030)
At 31 December 2017	<u>21,461</u>	<u>(19)</u>	<u>45,760</u>	<u>36,311</u>	<u>59</u>	<u>21,961</u>	<u>125,533</u>
At 1 July 2018	21,461	(19)	45,760	36,311	59	18,917	122,489
Total comprehensive income for the period	-	-	-	-	-	23,922	23,922
Issue of shares under the 2005 ESOS	15	-	125	-	(49)	-	91
Final 2018 dividend paid	-	-	-	-	-	(25,340)	(25,340)
At 31 December 2018	<u>21,476</u>	<u>(19)</u>	<u>45,885</u>	<u>36,311</u>	<u>10</u>	<u>17,499</u>	<u>121,162</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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

As at 1 July 2018, the Company held 12,000 (1 July 2017: 12,000) treasury shares. During the six months ended 31 December 2018, the Company had not purchased any (31 December 2017: Nil) of the Shares pursuant to the 2009 Share Buyback mandate.

During the six months ended 31 December 2018, the Company issued 150,000 (6 months ended 31 December 2017: Nil) new shares, upon the exercise of options under the Karin Employees Share Option Scheme.

As at 31 December 2018, the Company held 12,000 (30 June 2018: 12,000) treasury shares or 0.0056% (30 June 2018: 0.0056%) of the Company's issued shares.

During the second half for the year ended 30 June 2018, the Company had not issued any new shares, upon the exercise of options under the Karin Employee Share Option Scheme.

	6 months to 31 Dec 2018			6 months to 31 Dec 2017		
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	-	-	150,000	-	-	-

As at 31 December 2018 and 30 June 2018, the Company's share capital was HK\$21,476,000 and HK\$21,461,000 comprising 214,760,000 and 214,610,000 ordinary shares.

The share options outstanding as at 31 December 2018 and 30 June 2018 was Nil and 150,000 respectively which could be convertible to Nil and 150,000 ordinary shares of the Company respectively upon exercise.

During the six months ended 31 December 2018, the Company's subsidiaries had not purchased nor held any of the Company's shares (30 June 2018: Nil).

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 2018 and 30 June 2018 was 214,748,000 and 214,598,000.

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 (for the six months ended 31 December 2017: Nil).

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There were no sales, transfer, cancellation nor use of subsidiary holdings during the period under review (for the six months ended 31 December 2017: Nil).

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 disclosed in item 5 below, there is no change in the accounting policies adopted by the Group for the six months ended 31 December 2018. For details of accounting policies, please refer to Annual Report 2018.

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 2018:

Amendments to IAS 40	<i>Transfers of Investment Property</i>
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to IAS 28 included in annual improvements 2014-2016 cycle	<i>Investments in Associates and Joint Ventures</i>

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	
	2018	2017
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>5.55</u>	<u>1.51</u>
- On a fully diluted basis (HK cents)	<u>5.55</u>	<u>1.50</u>
Profit attributable to the owners of the Company for earnings per share (HK\$'000)	<u>11,903</u>	<u>3,230</u>

The calculation of basic earnings per share for the six months ended 31 December 2018 and 2017 is based on the profit attributable to the ordinary shareholders of the Company for the respective periods and the weighted average of 214,654,250 and 214,598,000 ordinary shares in issue respectively, which has taken into account the effect of treasury shares.

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 214,654,250 (2017: 214,696,638) ordinary shares, which was the weighted average of 214,654,250 (2017: 214,598,000) ordinary shares in issue during the six months ended 31 December 2018, and the weighted average of Nil (2017: 98,638) 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.

	Group		Company	
	As at 31 December 2018	As at 30 June 2018	As at 31 December 2018	As at 30 June 2018
Net asset value per ordinary share (HK cents)	192.1	204.1	56.4	57.1

Net asset value per ordinary share as at 31 December 2018 and 30 June 2018 was calculated based on the issued share capital excluding treasury shares of 214,748,000 and 214,598,000 ordinary shares as at 31 December 2018 and 30 June 2018.

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 2018 increased by HK\$6.0 million or 0.6% to HK\$1,059.8 million from HK\$1,053.8 million for the corresponding period last year.

Revenue from our Components Distribution (“CD”) segment decreased by HK\$9.4 million or 2.1%, from HK\$455.2 million for the six months ended 31 December 2017 to HK\$445.8 million for the six months ended 31 December 2018. The decrease was mostly due to tighter credit control through customer selection during the period under review.

Revenue from our Information Technology Infrastructure (“IT Infrastructure”) segment decreased by HK\$71.0 million or 12.5%, from HK\$567.7 million for the six months ended 31 December 2017 to HK\$496.7 million for the six months ended 31 December 2018. The decrease was also due to tighter credit control through customer selection during the period under review.

Revenue (continued)

Revenue from our Consumer Electronics Products (“CEP”) segment increased by HK\$86.4 million or 279.6%, from HK\$30.9 million for the six months ended 31 December 2017 to HK\$117.3 million for the six months ended 31 December 2018. The increase was mainly due to the re-investment in the retail stores business in March 2018.

Gross profit

Gross profit increased by HK\$19.9 million or 26.7%, from HK\$74.6 million for the six months ended 31 December 2017 to HK\$94.5 million for the six months ended 31 December 2018. The increase in gross profit was mostly due to (1) selling more solution based projects in both CD and IT segments; (2) selling more technical services in IT segment; and (3) increase in revenue in CEP segment during the period under review.

Other income and gains, net

The net other income and gains decreased by approximately HK\$2.7 million or 67.5%, from HK\$4.0 million for the six months ended 31 December 2017 to HK\$1.3 million for the six months ended 31 December 2018. The decrease was mainly due to the decrease in sundry income of HK\$0.9 million during the period under review.

Selling and distribution costs

Selling and distribution costs increased by approximately HK\$3.7 million or 12.5% from HK\$30.0 million for the six months ended 31 December 2017 to HK\$33.7 million for the six months ended 31 December 2018. The increase was mainly due to the increase in salary and commission during the period under review.

Administrative expenses

Administrative expenses decreased by approximately HK\$2.4 million or 6.1%, from HK\$39.3 million for the six months ended 31 December 2017 to HK\$36.9 million for the six months ended 31 December 2018. The decrease was mainly due to decrease in depreciation.

Other expenses, net

Net other expenses increased by approximately HK\$6.1 million or 342.7%, from HK\$1.8 million for the six months ended 31 December 2017 to HK\$7.9 million for the six months ended 31 December 2018. The change was mainly due to the increase in the impairment of trade receivables of HK\$6.4 million on project related businesses during the period under review.

Finance costs

Finance costs increased by approximately HK\$0.8 million or 51.5%, from HK\$1.6 million for the six months ended 31 December 2017 to HK\$2.4 million for the six months ended 31 December 2018. The increase was mainly due to the utilizing of banking facilities in the PRC to finance local operations.

Income tax expense

The effective income tax expense rate for the period under review was 28.9% (31 December 2017: 37.8%). The decrease was mainly due to the utilisation of tax losses of certain previously loss making subsidiaries.

Net Profit

Net profit attributable to owners of the Company increased by HK\$8.7 million or 268.5%, from HK\$3.2 million for the six months ended 31 December 2017 to HK\$11.9 million for the six months ended 31 December 2018. The increase was mainly attributable to increase in gross profit as explained above.

Statement of Financial Position

Non-current assets

As at 31 December 2018, non-current assets comprised goodwill of HK\$2.1 million; investment properties, office equipment, leasehold land and buildings and motor vehicles totaling HK\$155.0 million; investment in an associate of HK\$2.8 million; a trade receivable of HK\$2.3 million and deferred tax assets of HK\$3.7 million. Total non-current assets amounted to HK\$165.9 million, representing approximately 16.7% of the total assets. There was a decrease in non-current assets amounting to approximately HK\$7.9 million.

Current assets

As at 31 December 2018, current assets amounted to approximately HK\$826.3 million, an increase of HK\$102.4 million compared to the immediately preceding financial year end as at 30 June 2018. The increase was mainly due to (1) increase inventories by HK\$8.1 million; (2) increase in trade and bills receivables by HK\$38.9 million; (3) increase in prepayments, deposits and other receivables by HK\$23.8 million.

Current liabilities

As at 31 December 2018, current liabilities amounted to approximately HK\$568.5 million, an increase of HK\$120.1 million compared to the immediately preceding financial year end as at 30 June 2018. The increase was mainly due to (1) increase in interest-bearing bank and other borrowings by HK\$112.3 million; (2) increase in other payables and accruals by HK\$14.5 million and offset by (3) decrease in income tax payable by HK\$5.3 million.

Non-current liabilities

Non-current liabilities amounted to HK\$11.2 million, representing 1.9% of our total liabilities as at 31 December 2018. The amount comprised of (1) trade payables having credit term more than twelve months; and (2) deferred tax liabilities. Deferred tax liabilities were recognised as a result of temporary differences between the carrying amounts and tax bases of property, plant and equipment due to depreciation.

Liquidity and cash flow

As at 31 December 2018, cash and cash equivalents amounted to approximately HK\$87.8 million. Total interest bearing loans and other borrowings as at 31 December 2018 were HK\$252.4 million and the gearing ratio, which is defined as total borrowings and finance leases payables to shareholders' funds, is 0.61 times (30 June 2018: 0.32 times). The increase was due to increase in customers settlement period.

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.

In view of increase in demand on high end products such as smartphones, wireless controlled appliances for consumer, medical and commercial sectors, the CD segment has been working increasingly with vendors on solution product projects in order to meet customer requirements. All these solution products have higher margins. It is anticipated that demand for solution products will remain strong.

The diversified mix of IT solutions under the Group will continue to see strong demand in network and security products, and enterprise cloud solutions and services. There has been increased in demand for IT manpower services by customers as a result of rising manpower costs. We foresee the gross profit generated by the IT Infrastructure segment to continue.

As a result of the investment in the distribution and retail businesses, we have seen consistent revenue growth in the CEP segment. We expect this growth to continue.

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 HK5.8 cents per share amounting to a total of HK\$12,455,000 have been proposed and declared by the Directors.

Name of dividend	Interim
Dividend type	Cash
Dividend amount per share (in HK cents)	5.8 cents per share
Par value of share (in HK cents)	10 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)	6.8 cents per share	11.8 cents per share
Par value of share (in HK cents)	10 cents per share	10 cents per share
Tax rate	Not applicable	Not applicable

(c) Date payable

20 March 2019

(d) Books closure date

The Register of Members and Share Transfer Books of the Company will be closed on 7 March 2019, for the purpose of determining Members' entitlements to interim dividend of HK5.8 cents for the financial year ending 30 June 2019. 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 2019 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 2019 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 2018 to be false or misleading in any material respect. A statement signed by two directors is on record.

We, Ng Kin Wing and Ng Mun Kit Michael, 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 2018 to be false or misleading in any material respect.

On behalf of the board of directors

Ng Kin Wing
Executive Chairman/CEO

Ng Mun Kit Michael
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

13 February 2019