



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)

**Full Year Financial Statements And Dividend Announcement**  
**for the Year Ended 30 June 2018**

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

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

Group full year financial statements for the year ended 30 June 2018. These figures have not been audited.

**Group Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018**

	Group		
	2018 HK\$'000	2017 HK\$'000 (restated)*	% increase/ (decrease)
REVENUE	2,013,340	1,867,924	7.8
Cost of sales	(1,851,051)	(1,702,262)	8.7
Gross profit	162,289	165,662	( 2.0)
Other income and gains, net	14,512	7,479	94.0
Selling and distribution costs	( 65,223)	( 60,359)	8.1
Administrative expenses	( 74,055)	( 66,710)	11.0
Other expenses, net	( 63)	( 3,932)	( 98.4)
Finance costs	( 3,446)	( 2,671)	29.0
Share of profits and losses of associates	135	1,055	( 87.2)
PROFIT BEFORE TAX	34,149	40,524	( 15.7)
Income tax expense	( 6,879)	( 6,452)	6.6
PROFIT FOR THE YEAR	<u>27,270</u>	<u>34,072</u>	( 20.0)

\* Comparative figures have been restated upon the change in accounting policy of leasehold land and buildings. Details are set out in Note 5.

**Group Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018** (continued)

	Group		
	2018 HK\$'000	2017 HK\$'000 (restated)*	% increase/ (decrease)
PROFIT FOR THE YEAR	<u>27,270</u>	<u>34,072</u>	( 20.0)
OTHER COMPREHENSIVE INCOME:			
Item to be reclassified to profit or loss in subsequent periods:			
Exchange differences			
Exchange differences on translation of foreign operations	8,151	( 518)	1,673.6
Share of other comprehensive income of associates	46	-	100.0
Item not to be reclassified to profit or loss in subsequent periods:			
Surplus on revaluation upon transfer of property, plant and equipment to investment properties	<u>28,996</u>	<u>-</u>	100.0
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>37,193</u>	<u>( 518)</u>	7,280.1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>64,463</u></u>	<u><u>33,554</u></u>	92.1
Profit for the year attributable to:			
Owners of the Company	28,000	34,653	(19.2)
Non-controlling interests	<u>( 730)</u>	<u>( 581)</u>	25.6
	<u><u>27,270</u></u>	<u><u>34,072</u></u>	(20.0)
Total comprehensive income attributable to:			
Owners of the Company	65,025	34,451	88.7
Non-controlling interests	<u>( 562)</u>	<u>( 897)</u>	( 37.3)
	<u><u>64,463</u></u>	<u><u>33,554</u></u>	( 92.1)

\* Comparative figures have been restated upon the change in accounting policy of leasehold land and buildings. Details are set out in Note 5.

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

	Group	
	2018 HK\$'000	2017 HK\$'000 (restated)*
Cost of inventories sold	1,765,168	1,614,873
Cost of services provided	85,883	87,389
Write-down/(reversal of write-down) of inventories to net realisable value and write-off of obsolete inventories	5,687	( 2,592)
Depreciation	17,117	18,245
Operating lease rentals in respect of land and buildings	1,083	617
Auditor's remuneration	1,650	1,330
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	87,375	87,122
Pension scheme contributions	7,658	7,084
	<u>95,033</u>	<u>94,206</u>
Directors' remuneration:		
Fees	802	757
Other emoluments	8,605	6,441
	<u>9,407</u>	<u>7,198</u>
Bank interest income	( 448)	( 278)
Gross rental income	( 2,431)	( 1,336)
Fair value gains on investment properties	( 1,034)	( 1,759)
Fair value losses/(gains) on financial assets at fair value through profit or loss	865	( 526)
Fair value losses on derivative financial instruments, net	-	716
Foreign exchange differences, net	( 3,639)	402
(Reversal of impairment)/impairment of trade receivables, net	( 829)	2,670
Loss/(gain) on disposal of items of property, plant and equipment	27	( 83)

The Group's tax charge is as follows:

	Group	
	2018 HK\$'000	2017 HK\$'000
Current		
Charge for the year	6,348	8,483
(Overprovision)/underprovision in prior years	293	( 162)
	<u>6,641</u>	<u>8,321</u>
Deferred	238	( 1,869)
Total tax expenses for the year	<u>6,879</u>	<u>6,452</u>

\* Comparative figures have been restated upon the change in accounting policy of leasehold land and buildings. Details are set out in Note 5.

**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		
	30 June 2018	30 June 2017 (restated)*	1 July 2016 (restated)*	30 June 2018	30 June 2017	1 July 2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	100,458	112,833	129,631	-	-	-
Investment properties	62,429	30,942	30,071	-	-	-
Goodwill	2,098	2,098	2,098	-	-	-
Investments in subsidiaries	-	-	-	76,308	76,308	76,308
Investments in associates	2,109	1,828	1,148	-	-	-
Financial asset at fair value through profit or loss	-	1,663	2,401	-	-	-
Deferred tax assets	3,461	3,658	1,649	-	-	-
Factored trade receivables	950	1,900	2,850	-	-	-
Prepayments	-	349	598	-	-	-
Trade receivable	2,335	5,819	9,106	-	-	-
Total non-current assets	<u>173,840</u>	<u>161,090</u>	<u>179,552</u>	<u>76,308</u>	<u>76,308</u>	<u>76,308</u>
<b>CURRENT ASSETS</b>						
Financial assets at fair value through profit or loss	-	9,939	-	-	-	-
Inventories	190,418	134,950	194,016	-	-	-
Trade and bills receivables	429,911	383,801	370,082	-	-	-
Factored trade receivables	2,979	7,192	1,566	-	-	-
Prepayments, deposits and other receivables	46,367	51,878	86,918	-	-	-
Amounts due from subsidiaries	-	-	-	49,464	49,886	48,755
Forward currency contracts	8	873	347	-	-	-
Income tax recoverable	-	-	17	-	-	17
Cash and cash equivalents	54,211	56,950	34,148	495	475	1,322
Total current assets	<u>723,894</u>	<u>645,583</u>	<u>687,094</u>	<u>49,959</u>	<u>50,361</u>	<u>50,094</u>
<b>CURRENT LIABILITIES</b>						
Trade payables	221,677	197,459	201,593	-	-	-
Other payables and accruals	80,606	89,777	91,690	3,156	690	1,166
Amounts due to a subsidiary	-	-	-	621	621	-
Income tax payable	5,976	9,599	10,145	-	-	-
Interest-bearing bank and other borrowings	140,162	94,977	141,121	-	-	-
Total current liabilities	<u>448,421</u>	<u>391,812</u>	<u>444,549</u>	<u>3,777</u>	<u>1,311</u>	<u>1,166</u>
NET CURRENT ASSETS	<u>275,473</u>	<u>253,771</u>	<u>242,545</u>	<u>46,182</u>	<u>49,050</u>	<u>48,928</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>449,313</u>	<u>414,861</u>	<u>422,097</u>	<u>122,490</u>	<u>125,358</u>	<u>125,236</u>
<b>NON-CURRENT LIABILITIES</b>						
Trade payables	8,030	-	-	-	-	-
Other borrowings	-	3,853	2,888	-	-	-
Deferred tax liabilities	3,266	3,004	2,857	-	-	-
Total non-current liabilities	<u>11,296</u>	<u>6,857</u>	<u>5,745</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets	<u>438,017</u>	<u>408,004</u>	<u>416,352</u>	<u>122,490</u>	<u>125,358</u>	<u>125,236</u>

	Group			Company		
	30 June 2018	30 June 2017	1 July 2016	30 June 2018	30 June 2017	1 July 2016
	HK\$'000	(restated)* HK\$'000	(restated)* HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>EQUITY</b>						
<b>Equity attributable to owners of the Company</b>						
Issued capital	21,461	21,461	21,446	21,461	21,461	21,446
Treasury shares	( 19)	( 19)	( 19)	( 19)	( 19)	( 19)
Reserves	417,822	388,421	396,777	101,048	103,916	103,809
	<u>439,264</u>	<u>409,863</u>	<u>418,204</u>	<u>122,490</u>	<u>125,358</u>	<u>125,236</u>
Non-controlling interests	( 1,247)	( 1,859)	( 1,852)	-	-	-
Total equity	<u>438,017</u>	<u>408,004</u>	<u>416,352</u>	<u>122,490</u>	<u>125,358</u>	<u>125,236</u>

\* Comparative figures have been restated upon the change in accounting policy of leasehold land and buildings. Details are set out in Note 5.

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

#### Amount repayable in one year or less, or on demand

As at 30 June 2018		As at 30 June 2017	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
133	140,029	167	94,810

#### Amount repayable after one year

As at 30 June 2018		As at 30 June 2017	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
-	-	133	3,720

#### Details of any collateral

As at 30 June 2018, the above unsecured bank and other borrowings of HK\$140,029,000 (2017: HK\$98,530,000) included bank borrowings of HK\$138,077,000 (2017: HK\$92,116,000), which were covered by cross guarantees given by the Company and certain of its subsidiaries.

As at 30 June 2018, the finance lease obligations of HK\$133,000 (2017: HK\$300,000) were secured by the underlying office equipment acquired.

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

	Group	
	2018 HK\$'000	2017 HK\$'000 (restated)*
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	34,149	40,524
Adjustments for:		
Bank interest income	( 448)	( 278)
Fair value gain on investment properties	( 1,034)	( 1,759)
Write-down/(reversal of write-down) of inventories to net realisable value and write-off of obsolete inventories	5,687	( 2,592)
Depreciation	17,117	18,245
Fair value gains on derivative financial instruments, net	-	716
Fair value loss on a financial asset at fair value through profit or loss	865	( 526)
(Reversal of impairment)/impairment of trade receivables, net	( 829)	2,670
Loss/(gain) on disposal of items of property, plant and equipment	27	( 83)
Finance costs	3,446	2,671
Gain on bargain purchase of a subsidiary	( 2,695)	-
Share of profits and losses of associates	<u>( 135)</u>	<u>( 1,055)</u>
	56,150	58,533
(Increase)/decrease in inventories	( 52,340)	61,699
Increase in trade and bills receivables	( 32,410)	( 13,432)
Decrease/(increase) in factored trade receivables	5,163	( 4,676)
Decrease in prepayments, deposits and other receivables	10,173	17,927
Increase/(decrease) in trade payables	33,579	( 4,134)
Decrease in other payables and accruals	<u>( 29,561)</u>	<u>( 1,913)</u>
Cash (used in)/generated from operations	( 9,246)	114,004
Interest on bank and other borrowings paid	( 3,436)	( 2,653)
Interest element on finance lease rental payments	( 10)	( 18)
Income tax paid	<u>( 10,264)</u>	<u>( 8,850)</u>
Net cash flows (used in)/from operating activities	<u>( 22,956)</u>	<u>102,483</u>

	Group	
	2018	2017
	HK\$'000	HK\$'000 (restated)*
Net cash flows (used in)/from operating activities	( 22,956)	102,483
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of items of property, plant and equipment	-	2,219
Purchases of items of property, plant and equipment	( 3,654)	( 6,156)
Proceeds from disposal/(purchase) of financial assets at fair value through profit or loss	12,152	( 9,939)
Investment in an associate	( 100)	-
Tax refunded on purchase of items of property, plant and equipment	-	1,487
Cash received in disposal of a subsidiary	-	17,697
Net cash acquired from the acquisition of a subsidiary	4,731	-
Interest received	448	278
Net cash flows from investing activities	13,577	5,586
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of employee share options	-	132
New bank and other borrowings	597,654	279,076
Repayment of bank and other borrowings	( 556,506)	( 322,859)
Capital element of finance lease rental payments	( 163)	( 160)
Dividends paid to owners of the Company	( 35,624)	( 42,034)
Net cash flows from/(used in) financing activities	5,361	( 85,845)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	( 4,018)	22,224
Cash and cash equivalents at beginning of financial year	56,950	34,148
Effect of foreign exchange rate changes, net	1,279	578
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<u>54,211</u>	<u>56,950</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<u>54,211</u>	<u>56,950</u>

\* Comparative figures have been restated upon the change in accounting policy of leasehold land and buildings. Details are set out in Note 5.

**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.**

The Group

	Attributable to owners of the Company												Non-controlling interests HK\$'000	Total equity HK\$'000
	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			
At 1 July 2016, as previously reported	21,446	( 19)	45,587	898	115	321,940	2,826	-	269	286,188	679,250	( 1,852)	677,398	
Impact of change in accounting policy (Note 5)	-	-	-	-	-	( 321,940)	-	-	1,886	59,008	( 261,046)	-	( 261,046)	
At 1 July 2016, as restated	21,446	( 19)	45,587	898	115	-	2,826	-	2,155	345,196	418,204	( 1,852)	416,352	
Profit for the year	-	-	-	-	-	-	-	-	-	34,653	34,653	( 581)	34,072	
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	( 202)	-	( 202)	( 316)	( 518)	
Total comprehensive income for the year, as restated	-	-	-	-	-	-	-	-	( 202)	34,653	34,451	( 897)	33,554	
Issue of shares under the 2005 ESOS	15	-	173	-	( 56)	-	-	-	-	-	132	-	132	
Deemed acquisition of a non-controlling shareholder	-	-	-	-	-	-	-	( 890)	-	-	( 890)	890	-	
Final 2016 dividend paid	-	-	-	-	-	-	-	-	-	( 25,306)	( 25,306)	-	( 25,306)	
Interim 2017 dividend paid	-	-	-	-	-	-	-	-	-	( 16,728)	( 16,728)	-	( 16,728)	
Transfer between reserves of an associate	-	-	-	-	-	-	69	-	-	( 69)	-	-	-	
At 30 June 2017, as restated	<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>1,953</u>	<u>337,746</u>	<u>409,863</u>	<u>( 1,859)</u>	<u>408,004</u>	



## The Group

	Attributable to owners of the Company												Non-controlling interests HK\$'000	Total equity HK\$'000
	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			
At 1 July 2017, as previously reported	21,461	( 19)	45,760	898	59	368,347	2,895	( 890)	( 503)	252,368	690,376	( 1,859)	688,517	
Impact of change in accounting policy (Note 5)	-	-	-	-	-	( 368,347)	-	-	2,456	85,378	( 280,513)	-	( 280,513)	
At 1 July 2017, as restated	21,461	( 19)	45,760	898	59	-	2,895	( 890)	1,953	337,746	409,863	( 1,859)	408,004	
Profit for the year	-	-	-	-	-	-	-	-	-	28,000	28,000	( 730)	27,270	
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	7,983	-	7,983	168	8,151	
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	46	-	46	-	46	
Surplus on revaluation upon transfer of property, plant and equipment to investment properties	-	-	-	-	-	28,996	-	-	-	-	28,996	-	28,996	
Total comprehensive income for the year	-	-	-	-	-	28,996	-	-	8,029	28,000	65,025	( 562)	64,463	
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,174	1,174	
Final 2017 dividend paid	-	-	-	-	-	-	-	-	-	( 21,031)	( 21,031)	-	( 21,031)	
Interim 2018 dividend paid	-	-	-	-	-	-	-	-	-	( 14,593)	( 14,593)	-	( 14,593)	
At 30 June 2018	<u>21,461</u>	<u>( 19)</u>	<u>45,760</u>	<u>898</u>	<u>59</u>	<u>28,996</u>	<u>2,895</u>	<u>( 890)</u>	<u>9,982</u>	<u>330,122</u>	<u>439,264</u>	<u>( 1,247)</u>	<u>438,017</u>	

## The 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 2016	21,446	( 19)	45,587	36,311	115	21,796	125,236
Profit for the year and total comprehensive income for the year	-	-	-	-	-	42,024	42,024
Issue of shares under the 2005 ESOS	15	-	173	-	( 56)	-	132
Final 2016 dividend paid	-	-	-	-	-	( 25,306)	( 25,306)
Interim 2017 dividend paid	-	-	-	-	-	( 16,728)	( 16,728)
At 30 June 2017 and at 1 July 2017	21,461	( 19)	45,760	36,311	59	21,786	125,358
Profit for the year and total comprehensive income for the year	-	-	-	-	-	32,756	32,756
Final 2017 dividend paid	-	-	-	-	-	( 21,031)	( 21,031)
Interim 2018 dividend paid	-	-	-	-	-	( 14,593)	( 14,593)
At 30 June 2018	<u>21,461</u>	<u>( 19)</u>	<u>45,760</u>	<u>36,311</u>	<u>59</u>	<u>18,918</u>	<u>122,490</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 2017, the Company held 12,000 (1 July 2016: 12,000) treasury shares. During the year ended 30 June 2018, the Company had not purchased any (30 June 2017: Nil) of the Shares pursuant to the 2009 Share Buyback mandate.

As at 30 June 2018, the Company held 12,000 (30 June 2017: 12,000) treasury shares or 0.0056% (30 June 2017: 0.0056%) of the Company's issued shares.

During the year ended 30 June 2018, the Company had not issued any (30 June 2017: 150,000) new shares, upon the exercise of options under the Karin Employee Share Option Scheme.

	During the year ended 30 June 2018			During the year ended 30 June 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 30 June 2018, the Company's share capital was HK\$21,461,000 (30 June 2017: HK\$21,461,000) comprising 214,610,000 (30 June 2016: 214,610,000) ordinary shares.

The share options outstanding as at 30 June 2018 was 150,000 (30 June 2017: 150,000) which could be convertible to 150,000 (30 June 2017: 150,000) ordinary shares of the Company upon exercise.

During the year ended 30 June 2018, the Company's subsidiaries had not purchased nor held any of the Company's shares (30 June 2017: 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 share as at 30 June 2018 was 214,598,000 (30 June 2017: 214,598,000).

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

There were no sales, transfers, cancellation nor use of treasury shares during year under review (30 June 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 year under review (30 June 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 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 year ended 30 June 2018 as compared with the audited financial statements of the Group for the year ended 30 June 2017.

**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.**

- (i) The Group has adopted the following revised International Financial Reporting Standards ("IFRSs") for the first time in the financial statements for the financial year ended 30 June 2018:

Amendments to IAS 7	<i>Disclosure Initiative</i>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised losses</i>
Amendments to IFRS 12 included in annual improvements 2012-2014 Cycle	<i>Disclosure of interests in Other Entities: Clarification of the Scope of IFRS 12</i>

The adoption of the above revised IFRSs has had no significant financial effect in these financial statements for the year ended 30 June 2018.

- (ii) In accordance with IAS 16 “Property, Plant and Equipment”, leasehold land and buildings can either be accounted for using the cost model or the revaluation model after their initial recognition. The Group accounted for its leasehold land and buildings using the revaluation model in previous years. With effective from 1 July 2017, the Group stated its leasehold land and buildings at cost less accumulated depreciation and any impairment losses, because cost model is more common accounting practice. In the opinion of the directors, this change in the accounting policy enables the Group to provide reliable and more relevant information on the financial statements about its performance and financial position.

As a result of the adoption of the cost model under HKAS 16, the Group has changed its accounting policy with respect to leasehold land and buildings. This change in accounting policy has been applied retrospectively by restating the balances as at 30 June 2017 and 1 July 2016, and the results for the year ended 30 June 2017.

The effects of the above change are summarised in below:

- (a) Effects on the consolidated of statement of financial position as at 30 June 2017 and 1 July 2016

	30 June 2017 HK\$'000	1 July 2016 HK\$'000
<b>Assets</b>		
Decrease in property, plant and equipment	<u>( 357,357)</u>	<u>( 329,012)</u>
<b>Liabilities</b>		
Decrease in deferred tax liabilities	<u>( 76,844)</u>	<u>( 67,966)</u>
<b>Equity</b>		
Increase in retained profits	85,378	59,008
Decrease in land and buildings revaluation reserve	( 368,347)	( 321,940)
Increase in exchange fluctuation reserve	2,456	1,886
	<u>( 280,513)</u>	<u>( 261,046)</u>

- (b) Effects on the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017

	2017 HK\$'000
Decrease in administrative expenses	( 27,262)
Increase in other expenses, net	<u>892</u>
Increase in profit for the year	<u>26,370</u>
Increase in earnings per share attributable to ordinary shareholders of the Company (HK cents)	
Basic	<u>12.3</u>
Diluted	<u>12.2</u>

**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.**

**The Group**

	30 June 2018	30 June 2017 (restated)*
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>13.0</u>	<u>16.2</u>
- On a fully diluted basis (HK cents)	<u>13.0</u>	<u>16.1</u>
Profit attributable to the owners of the Company for earnings per share (HK\$'000)	<u>28,000</u>	<u>34,653</u>

The calculation of basic earnings per share for the years ended 30 June 2018 and 2017 is based on the profit attributable to the ordinary shareholders of the Company for the respective years and the weighted average of 214,598,000 and 214,495,671 ordinary shares in issue, respectively, which has taken into account the effect of treasury shares.

The calculation of the diluted earnings per share amount is based on the profit attributable to ordinary shareholders of the Company for the respective years and 214,697,170 (2017: 214,638,320) ordinary shares, which was the weighted average of 214,598,000 (2017: 214,495,671) ordinary shares in issue during the year ended 30 June 2018, and the weighted average of 99,170 (2017:142,649) ordinary shares deemed to have been issued at no consideration on the deemed exercise of all outstanding share options during the year 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 30 June 2018	As at 30 June 2017 (restated)*	As at 30 June 2018	As at 30 June 2017
Net asset value per ordinary share (HK cents)	204.1	190.1	57.1	58.4

Net asset value per ordinary share as at 30 June 2018 and 30 June 2017 was calculated based on the issued share capital excluding treasury shares of 214,598,000 ordinary shares as at 30 June 2018 and 30 June 2017.

\* Comparative figures have been restated upon the change in accounting policy of leasehold land and buildings. Details are set out in Note 5.

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 increased by approximately HK\$145.4 million or 7.8% from HK\$1,867.9 million for the year ended 30 June 2017 to HK\$2,013.3 million for the year ended 30 June 2018.

Revenue from our Components Distribution (“CD”) segment increased by HK\$26.7 million or 3.2%, from HK\$843.4 million for the year ended 30 June 2017 to HK\$870.1 million for the year under review. The increase was mostly due to increase in demand for certain electronic components for smart phones and wireless applications during the year under review.

Revenue from our Information Technology Infrastructure (“IT Infrastructure”) segment decreased by HK\$7.3 million or 0.8%, from HK\$944.3 million for the year ended 30 June 2017 to HK\$937.0 million for the current year.

Revenue from our Consumer Electronics Products (“CEP”) segment increased by HK\$126.0 million or 156.9%, from HK\$80.3 million for the year ended 30 June 2017 to HK\$206.3 million for the current year. The increase was mainly due to re-investment in retail stores business in March 2018.

### Gross profit

Gross profit decreased by HK\$3.4 million or 2.0%, from HK\$165.7 million for the year ended 30 June 2017 to HK\$162.3 million for the year ended 30 June 2018. The decrease was mainly due to write-down of inventories to net realisable value of HK\$5.7 million for the year ended 30 June 2018 against reversal of write-down of inventories to net realisable of HK\$2.6 million in the prior year.

### Other income and gains, net

Other income and gains, net increased by HK\$7.0 million or 94.0%, from HK\$7.5 million for the year ended 30 June 2017 to HK\$14.5 million for the year ended 30 June 2018. The increase was mostly due to (1) increase in rental income of HK\$1.1 million as a result of leasing out a floor in Hong Kong, (2) increase in exchange gain of HK\$3.6 million and (3) gain on bargain purchase arising from the re-investment in retail stores business of HK\$2.7 million.

### Selling and distribution costs

Selling and distribution costs increased by HK\$4.8 million or 8.1%, from HK\$60.4 million for the year ended 30 June 2017 to HK\$65.2 million for the year ended 30 June 2018. The increase was mainly due to (1) increase in salary, bonus and commission of HK\$3.5 million, specifically to enhance our technical and engineering capabilities, and (2) increase in miscellaneous operating expense of HK\$0.9 million for KCF retail store operation.

### Administrative expenses

Administrative expenses increased by HK\$7.4 million or 11.0%, from HK\$66.7 million for the year ended 30 June 2017 to HK\$74.1 million for the year ended 30 June 2018. The increase was mainly due to increase in salary, bonus and commission expense of HK\$6.1 million.

### Other expenses, net

Other expenses, net decreased by HK\$3.8 million or 98.4% from HK\$3.9 million for the year ended 30 June 2017 to HK\$0.06 million for the year ended 30 June 2018. The decrease was mainly due to (1) exchange loss of HK\$0.4 million in last year turned into exchange gain in current year which recorded under Other Income, and (2) impairment of trade receivables of HK\$2.7 million for the year ended 30 June 2017 turned into reversal of impairment of trade receivables, net of HK\$0.8 million for the year ended 2018.

### Finance costs

Finance costs increased by HK\$0.7 million or 29.0%, from HK\$2.7 million for the year ended 30 June 2017 to HK\$3.4 million for the year ended 30 June 2018. The increase was mainly due to the utilizing of banking facilities in the PRC to finance local operations.

### Net Profit

Net profit attributable to owners of the Company decreased by HK\$6.7 million or 19.2%, from HK\$34.7 million for the year ended 30 June 2017 to HK\$28.0 million for the year ended 30 June 2018. The decrease was mostly due to increase in operating expenses as explained above.

### Non-controlling interests

Non-controlling interests represented the non-controlling shareholders' share of loss in our non-wholly owned subsidiaries.



## 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 amounting to HK\$162.9 million; investment in associates of HK\$2.1 million; factored trade receivables of HK\$1.0 million; a trade receivable of HK\$2.3 million and deferred tax assets of HK\$3.5 million. At 30 June 2018, non-current assets amounted to HK\$173.8 million, representing approximately 19.4% of the total assets. The increase in non-current assets from last year was mainly due to investment property which was recognised at to fair value as a result of leasing out a floor to an independent third party.

### Current assets

As at 30 June 2018, current assets amounted to HK\$723.9 million, an increase of HK\$78.3 million compared to the immediately preceding financial year end at 30 June 2017. The increase was mostly due to increase in trade and bill receivables of HK\$46.1 million and increase in inventories of HK\$55.5 million offset by (1) the decrease in financial assets at fair value through profit or loss of HK\$9.9 million; (2) decrease in prepayments, deposits and other receivables of HK\$5.5 million and (3) decrease in factored trade receivables of HK\$4.2 million.

### Current liabilities

As at 30 June 2018, current liabilities amounted to approximately HK\$448.4 million, an increase of HK\$56.6 million compared to the immediately preceding financial year end as at 30 June 2017. The increase was mainly due to increase in interest-bearing bank and other borrowings of HK\$45.2 million.

### Non-current liabilities

Non-current liabilities amounted to HK\$11.3 million, representing 2.5% of the total liabilities as at 30 June 2018. The amount mainly comprised of trade payables and deferred tax liabilities. Deferred tax liabilities were recognised as a result of temporary differences between the carrying amounts and tax bases of our investment properties.

### Liquidity and cash flow

As at 30 June 2018, cash and cash equivalents amounted to HK\$54.2 million. Total interest bearing loans and borrowings as at 30 June 2018 were HK\$140.2 million and the gearing ratio which is defined as total borrowings and finance leases to total equity, is 0.32 times (2017: 0.24 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.**

Penetration of smart phones into certain emerging markets has been magnifying in the last few months. It is anticipated that demand for certain electronic components for smart phones will remain strong throughout the next 12 months.

We foresee demand for our network security products, for both advanced and entry level software as well as hardware will remain steady throughout the next 12 months as data security continues to be a hot topic globally since security threats continue to evolve ahead of the most advanced defenses.

Further to the re-investment in retail stores business towards the end of the year under review, it is expected revenue from our Consumer Electronics Products segment will continue to grow throughout the next 12 months.

The Company will continue to monitor and respond to the global political and economic developments that may impact our business.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend recommended for the current financial period reported on?

Yes.

At the Annual General Meeting (“AGM”) to be held, a tax not applicable final dividend of HK11.8 cents per share amounting to a total of HK\$25,323,000 will be recommended at the forthcoming AGM.

Name of dividend	Interim (paid)	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

## **(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)	7.8 cents per share	9.8 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**

22 November 2018

## **(d) Books closure date**

The Register of Members and Share Transfer Books of the Company will be closed on 2 November 2018, for the purpose of determining Members' entitlements to final dividend of HK11.8 cents per ordinary share for the financial year ended 30 June 2018. 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 1 November 2018 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 dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5.00 p.m. on 1 November 2018 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 confirmation pursuant to Rule 705(5). (Not required for announcement of full year results)**

Not applicable.

### **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.

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR  
ANNOUNCEMENT**

**16. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

**SEGMENT INFORMATION**

**Business segments**

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 30 June 2018 and 2017.

	Components distribution HK\$'000	IT infrastructure HK\$'000	Consumer electronics products HK\$'000	Total HK\$'000
<b><u>Year ended 30 June 2018</u></b>				
<b>Segment revenue</b>	<b>870,079</b>	<b>936,953</b>	<b>206,308</b>	<b>2,013,340</b>
<b>Segment results</b>	<b>7,993</b>	<b>23,064</b>	<b>7,297</b>	<b>38,354</b>
<i>Reconciliation:</i>				
Bank interest income				448
Fair value gains on investment properties				1,034
Fair value loss on derivative financial instruments, net				( 865)
Finance costs				( 3,446)
Share of profits and losses of associates				135
Corporate and other unallocated expenses				( 1,511)
Profit before tax				<u>34,149</u>
<b>Segment assets</b>	<b>424,829</b>	<b>278,084</b>	<b>44,327</b>	<b>747,240</b>
<i>Reconciliation:</i>				
Investment in associates				2,109
Deferred tax assets				3,461
Forward currency contracts				8
Cash and cash equivalents				54,211
Corporate and other unallocated assets				90,705
Total assets				<u>897,734</u>

	Components distribution HK\$'000	IT infrastructure HK\$'000	Consumer electronics products HK\$'000	Total HK\$'000
<b><u>Year ended 30 June 2018</u></b> (continued)				
<b>Segment liabilities</b>	<b>124,849</b>	<b>130,547</b>	<b>20,617</b>	<b>276,013</b>
<i>Reconciliation:</i>				
Income tax payable				5,976
Interest-bearing bank and other borrowings				140,162
Deferred tax liabilities				3,266
Corporate and other unallocated liabilities				34,300
Total liabilities				<u>459,717</u>
<b>Other segment information:</b>				
Depreciation				17,117
Other non-cash expenses, net	4,179	( 193)	872	4,858
Capital expenditure				<u>3,654</u>
	Components distribution HK\$'000	IT infrastructure HK\$'000	Consumer electronics products HK\$'000	Total HK\$'000
<b><u>Year ended 30 June 2017</u></b> (Restated)				
<b>Segment revenue</b>	<b>843,381</b>	<b>944,274</b>	<b>80,269</b>	<b>1,867,924</b>
<b>Segment results</b>	<b>2,884</b>	<b>32,972</b>	<b>5,708</b>	<b>41,564</b>
<i>Reconciliation:</i>				
Bank interest income				278
Fair value gains on investment properties				1,759
Fair value gains on derivative financial instruments, net				526
Fair value loss on a financial asset at fair value through profit or loss				( 716)
Finance costs				( 2,671)
Share of profit of an associate				1,055
Corporate and other unallocated expenses				( 1,271)
Profit before tax				<u>40,524</u>
<b>Segment assets</b>	<b>425,020</b>	<b>242,066</b>	<b>28,388</b>	<b>695,474</b>
<i>Reconciliation:</i>				
Investment in associates				1,828
Deferred tax assets				3,658
Financial asset at fair value through profit or loss				11,602
Forward currency contracts				873
Cash and cash equivalents				56,950
Corporate and other unallocated assets				36,288
Total assets				<u>806,673</u>

	Components distribution HK\$'000	IT infrastructure HK\$'000	Consumer electronics products HK\$'000	Total HK\$'000
<b>Year ended 30 June 2017</b> (continued)				
<i>Restated</i>				
<b>Segment liabilities</b>	<b>74,779</b>	<b>161,626</b>	<b>16,433</b>	<b>252,838</b>
<i>Reconciliation:</i>				
Income tax payable				9,599
Interest-bearing bank and other borrowings				98,830
Deferred tax liabilities				3,004
Corporate and other unallocated liabilities				34,398
Total liabilities				<u>398,669</u>
<b>Other segment information:</b>				
Depreciation				18,245
Other non-cash expenses, net	3,623	( 3,597)	52	78
Capital expenditure				<u>36,367</u>

\* 2017 figures have been restated upon the change in accounting policy of leasehold land and buildings. Details are set out in Note 5.

#### Geographical information

The following tables present revenue and certain asset information for the Group's geographical segments for the years ended 30 June 2018 and 2017.

	Hong Kong HK\$'000	Mainland China HK\$'000	Others HK\$'000	Total HK\$'000
<b>Year ended 30 June 2018</b>				
<b>Segment revenue</b>	<u>1,756,441</u>	<u>236,912</u>	<u>19,987</u>	<u>2,013,340</u>
<b>Non-current assets</b>	<u>68,742</u>	<u>72,202</u>	<u>26,150</u>	<u>167,094</u>
<b>Year ended 30 June 2017</b>				
<b>Segment revenue</b>	<u>1,623,960</u>	<u>227,209</u>	<u>16,755</u>	<u>1,867,924</u>
<b>Non-current assets</b>	<u>48,492</u>	<u>72,591</u>	<u>26,967</u>	<u>148,050</u>

The revenue information is based on the locations of the customers.

The non-current asset information is based on the locations of assets and excludes financial instruments and deferred tax assets.

**17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to note 8.

**18. A breakdown of sales as follows:-**

	<b>Group</b>		
	2018 HK\$'000	2017 HK\$'000 (restated)	% increase/ (decrease)
(a) Sales reported for the first half year	1,053,816	943,531	11.7
(b) Operating profit after tax before deducting non-controlling interests reported for the first half year	3,732	14,275	( 73.9)
(c) Sales reported for the second half year	959,524	924,393	3.8
(d) Operating profit after tax before deducting non-controlling interests reported for the second half year	23,538	19,797	18.9

**19 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-**

	2018 HK\$'000	2017 HK\$'000
Declared and paid during the year	14,593	16,728
Proposed final dividend	25,323	21,031
Total	<u>39,916</u>	<u>37,759</u>

20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any Director and/or substantial shareholder	Current position and duties, and the year position was held	Details of changes in duties and position held, if any, during the year
Mr. Ng Yuk Wing, Philip	69	He is the father of Ng Mun Kit, Michael and brother of Ng Kin Wing, Raymond and Ng Kam Wing, Allan. Mr. Ng Mun Kit, Michael is an Executive Director while Mr. Ng Kin Wing, Raymond is the Executive Chairman and CEO and Mr. Ng Kam Wing, Allan is Chief Technology Officer of the Group.	He is the Executive Advisor and is responsible for strategic planning and business development of the Group. He is one of the founders of the Group since 1977.	Ceased as Senior Executive Director with effect from 1 July 2018
Mr. Ng Kin Wing, Raymond	68	He is uncle of Ng Mun Kit, Michael and brother of Ng Yuk Wing, Philip and Ng Kam Wing, Allan.	He is the Executive Chairman and Chief Executive Officer and is responsible for overseeing the entire operations and general management of the Group. He is one of the founders of the Group since 1977.	N/A
Mr. Ng Kam Wing, Allan	62	He is uncle of Ng Mun Kit, Michael and brother of Ng Yuk Wing, Philip and Ng Kin Wing, Raymond.	He is the Chief Technology Officer of the Group and is responsible for the overall IT system control and development of ITSD of the Group. He joined the Group in October 2001.	N/A
Mr. Ng Mun Kit, Michael	40	He is son of Ng Yuk Wing, Philip and nephew of Ng Kin Wing, Raymond and Ng Kam Wing, Allan.	He is General Manager of the Group and is responsible for new business strategy, marketing and service operation for the Group.	Appointed as a Director of the Company with effect from 1 July 2018

**BY ORDER OF THE BOARD**

Ng Kin Wing, Raymond  
Executive Chairman

28 August 2018