



**Karin Technology  
Holdings Limited**

**TOGETHER,  
WE PACE FOR TOMORROW**

Annual Report 2020



## CORPORATE PROFILE

Listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”) since March 2005, our Group is a prominent IT & Components Solutions and Services Group with a significant market presence spanning over 40 years in Hong Kong and the People’s Republic of China (“PRC”).

From the time when it was established in 1977, our primary business focus has been on electronic components and computer distribution for various electronics industry segments including communications, computer, electrical appliances and utility. During the 1990s, our business expanded to include outsourcing services, IC application design solutions and data storage management solutions.

Since our listing on the SGX-ST Mainboard in 2005, we have carved out an escalating presence in

three core businesses – Components Distribution; IT Infrastructure Solutions and Services; and Consumer Electronics Products – in Hong Kong and the PRC markets.

In 2007, I M I Kabel Pte Ltd, a Singapore-based distributor of data control cables and manufacturer of power panel for a variety of industries ranging from industrial automation to building, port and shipyard, offshore oil fields and petrochemical facilities, was acquired by our Group. In 2019, it has extended to switchboard panel production and installation business. Its company name has been changed to I M I Kabel & Engineering Pte Ltd in 2020.

In 2011, Karin added a retail business arm to its operations under the trade name “In-Smart” which was subsequently disposed of on 30 June 2016 and re-invested on 1 April 2018.

# Contents

CHAIRMAN AND CEO STATEMENT AND OPERATION REVIEW – FY20	<b>2</b>
FINANCIAL REVIEW	<b>5</b>
BOARD OF DIRECTORS	<b>10</b>
SENIOR MANAGEMENT	<b>13</b>
GROUP STRUCTURE	<b>15</b>
NOTABLE EVENTS IN FY20	<b>16</b>
MILESTONES	<b>18</b>
CORPORATE INFORMATION	<b>21</b>
REPORT ON CORPORATE GOVERNANCE	<b>22</b>
FINANCIAL CONTENTS	<b>45</b>
FINANCIAL SUMMARY	<b>136</b>
STATISTICS OF SHAREHOLDINGS	<b>138</b>
INFORMATION ABOUT INVESTMENT PROPERTIES HELD	<b>141</b>
NOTICE OF ANNUAL GENERAL MEETING	<b>142</b>
SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION OR APPOINTMENT	<b>151</b>

## VISION

Globalization, modernization and technology are the drivers of rapid economic growth and wealth creation, providing many business opportunities to most companies and industries in the coming decades and Hong Kong is indeed the essential gateway to China for the rest of the world while Singapore is the central business hub for ASEAN countries.

## MISSION

Providing competitive products and solutions via product development, technical skill-set and field-application after-sales service is the core competency of Karin Group, the value-added service provider in electronic, retail, IT and infrastructure industries in China, Hong Kong, Macau, Singapore, ASEAN countries today and tomorrow.

# Chairman and CEO Statement and Operation Review FY20



**Raymond NG**  
Executive Chairman and CEO,  
Karin Group

## THE FY20 PERFORMANCE

The financial year ended 30 June 2020 ("FY20"), since 1977, has been one of the most difficult and extraordinary years for the Karin Group and senior-management. The social unrest in Hong Kong in 2H2019 and the global COVID-19 pandemic in 1H2020, have caused the business environment to experience disruption that impacted Karin's operations and performance in Hong Kong, Singapore and China. Nevertheless, Karin Group was still profitable, despite achieving a lower consolidated revenue of HK\$1,766.4 million (decrease by HK\$34.2 million or 1.9% from HK\$1,800.6 million in FY19) and net profit of HK\$4.8 million (decrease by HK\$27.5 million or 85.1% from HK\$32.3 million in FY19). Gross profit dropped by HK\$33.9 million (or 18.9% from HK\$179.7 million in FY19) as a result of the disruptions discussed above, fair value losses on investment properties of HK\$6.6 million and loss on disposal of an associate company of HK\$4.4 million. Operating expenses such as the administrative expenses, selling and distribution costs have been reined in with inventories and trade and bill receivables improved.

## MARKETING AND SALES STRATEGY (MSS)

Karin's long-term business plan is to continue to grow and expand in the markets of China, Singapore, Hong Kong and Macau via our newly established SOHOs (Small Office and Home Offices) network throughout China and our newly established electronics component division in Singapore. With this we hope to address the upcoming growth of ASEAN OEM businesses from China and business opportunities in the Greater Bay Area of Hong Kong and Macau.

## ENGINEERING SOLUTIONS AND SERVICE (ESS)

Karin has three engineering teams: IC Application Design (ICAD), IT Professional Service (ITPS) and Internet-of-Things (IoT) engineering. We have an advantage in IoT development due to the experience of our IT, IC and Electrical & Mechanical (E&M) engineers as well as the strength of our strategic partners in IoT application and solutions in our targeted markets.

Further extension of future ABC (Artificial Intelligence, Big Data and Cloud Computing), 5G and IoT technologies in our ESS's IoT team gives the Karin Group a competitive advantage for our strategic partners with innovative technology brands in building Smart Office, Smart Health and Smart Business Operations. The ESS's IoT team also leverages our experience to provide customers and partners a one-stop-shop for adopting IoT products and solutions in the future Smart City.



## Chairman and CEO Statement and Operation Review FY20

### BUSINESS SUPPORTING SYSTEM (BSS)

BSS focuses on disciplined risk management, operational efficiency, productivity, cash flow, cybersecurity and business continuity.

**FINANCE AND HR MANAGEMENT** will continue to work closely with Karin's risk management committee to provide balance sheet and cash flow discipline in particular in accounts receivable, inventory turnover, cost management, recruitment and training talent for business development, new business model and legal compliance in high-tech businesses.

**LOGISTICS AND IN-HOUSE IT SERVICE** continue to enhance our IT-as-a-Service to support our MSS order processing and to review our remote operations and work-from-home business model through process reengineering and automation within Karin and services via the cloud.

We have implemented solutions in managing new and diversified business models to meet the challenges in managing customer demands and new business models after the COVID-19 pandemic. These solutions and services are all delivered with cybersecurity in mind and in a timely manner to meet business needs. Our IT services are accessible anywhere and anytime.

### CHALLENGE AHEAD

FY21 may be an extension of FY20 but with more challenges for many companies and industries as we anticipate poor local business sentiment to continue because of the US-China trade dispute and the on-going COVID-19 pandemic is expected to continue.

Nevertheless, our over 40 years of experience, strong financial discipline and operational management, are part of Karin's corporate culture and the key to Karin's business continuity and success in the near future, even in the midst of the current global crisis and a new normal in the business environment.

#### **Raymond Ng**

*Executive Chairman and Chief Executive officer*

**Karin Technology Holdings Limited**

# Financial Review

## PROFIT AND LOSS

### REVENUE

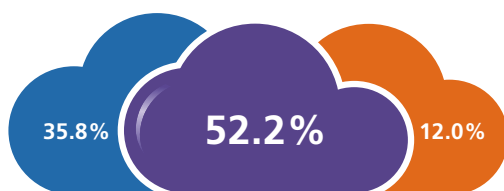
Consolidated revenue of the Group decreased by approximately HK\$34.2 million or 1.9% from HK\$1,800.6 million for the year ended 30 June 2019 to HK\$1,766.4 million for the year ended 30 June 2020.

Revenue from our Components Distribution (“**CD**”) segment decreased by HK\$132.4 million or 17.3%, from HK\$764.5 million for the year ended 30 June 2019 to HK\$632.1 million for the year under review. The decrease was mostly due to the global outbreak of COVID-19 pandemic that factories were substantially closed in the People’s Republic of China (“**PRC**”) in the early part of 2020.




Revenue from our Information Technology Infrastructure (“**IT Infrastructure**”) segment increased by HK\$147.8 million or 19.1%, from HK\$774.2 million for the year ended 30 June 2019 to HK\$922.0 million for the current year. The increase was mostly due to demand in network security products, cloud solution services and data visualization tools during the year under review remained strong. However, in comparing the first half and second half of the year under review, there was a decrease in demand due to COVID-19 pandemic effect.

Revenue from our Consumer Electronics Products (“**CEP**”) segment decreased by HK\$49.7 million or 19.0%, from HK\$262.0 million for the year ended 30 June 2019 to HK\$212.3 million for the current year. While there was an increase in revenue in the first half of the year under review as explained in the FY20 interim results announcement, there was a significant drop in retail activities in Hong Kong due to the global COVID-19 pandemic outbreak. As a result, revenue increased in the first half was offset by

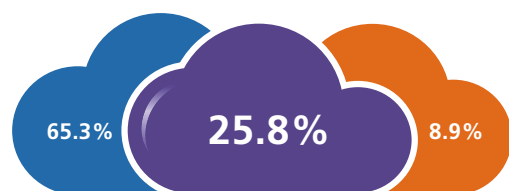
REVENUE BY BUSINESS SEGMENTS FOR FY2020






FY2020

-  COMPONENTS DISTRIBUTION
-  IT INFRASTRUCTURE
-  CONSUMER ELECTRONICS PRODUCTS

REVENUE BY GEOGRAPHICAL REGIONS FOR FY2020



FY2020

-  HONG KONG
-  MAINLAND CHINA
-  OTHERS

## Financial Review

the huge revenue decrease in the second half of the year under review.

### GROSS PROFIT

Gross profit decreased by HK\$33.9 million or 18.9%, from HK\$179.7 million for the year ended 30 June 2019 to HK\$145.8 million for the year ended 30 June 2020. The decrease in gross profit was mainly due to certain aged inventories under all three segments were sold at relatively low margin during the year under review before these become obsolete.

### OTHER INCOME AND GAINS, NET

Other income and gains, net increased by HK\$2.0 million or 29.4%, from HK\$7.1 million for the year ended 30 June 2019 to HK\$9.1 million for the year ended 30 June 2020. The increase was mostly due to (1) HK\$1.7 million wage subsidy received from HKSAR Government under Employment Support Scheme; and (2) HK\$1.1 million subsidy received from the PRC local government for high technology development on certain electronic component modules.

### SELLING AND DISTRIBUTION COSTS

Selling and distribution costs decreased by HK\$8.6 million or 11.6%, from HK\$74.9 million for the year ended 30 June 2019 to HK\$66.3 million for the year ended 30 June 2020. The decrease was mainly due to decrease in salary, bonus and commission of HK\$7.1 million.

### ADMINISTRATIVE EXPENSES

Administrative expenses decreased by HK\$5.8 million or 8.5%, from HK\$68.4 million for the year ended 30 June 2019 to HK\$62.6 million for the year ended 30 June 2020. The decrease was mainly due to (1) decrease in depreciation of property, plant and equipment of HK\$2.0 million; and (2) decrease in directors and staff bonus of HK\$3.3 million.

### OTHER EXPENSES, NET

Other expenses, net increased by HK\$13.3 million or 466.1% from HK\$2.8 million for the year ended 30 June 2019 to HK\$16.1 million for the year ended 30 June 2020. The increase was mainly due to (1) increase in fair value losses on investment properties of HK\$4.7 million; (2) loss on disposal of an associate company of HK\$4.4 million. For details of the disposal, please refer to the Company's Circular to Shareholders dated 12 June 2020; and (3) increase in impairment of trade receivables of HK\$3.2 million.

### FINANCE COSTS

Finance costs decreased by HK\$1.7 million or 35.8%, from HK\$4.8 million for the year ended 30 June 2019 to HK\$3.1 million for the year ended 30 June 2020. The decrease was mainly due to less bank borrowing during the year under review.





### NET PROFIT

Net profit attributable to owners of the Company decreased by HK\$27.5 million or 85.1%, from HK\$32.3 million for the year ended 30 June 2019 to HK\$4.8 million for the year ended 30 June 2020. The decrease was mostly due to decrease in gross profit of HK\$33.9 million as explained above.

### NON-CONTROLLING INTERESTS

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

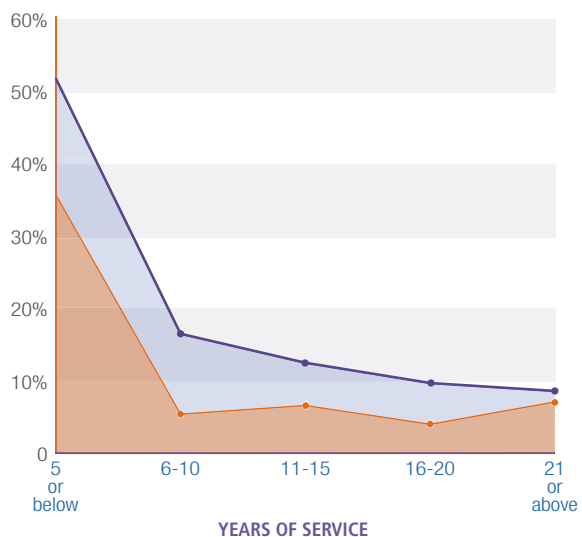
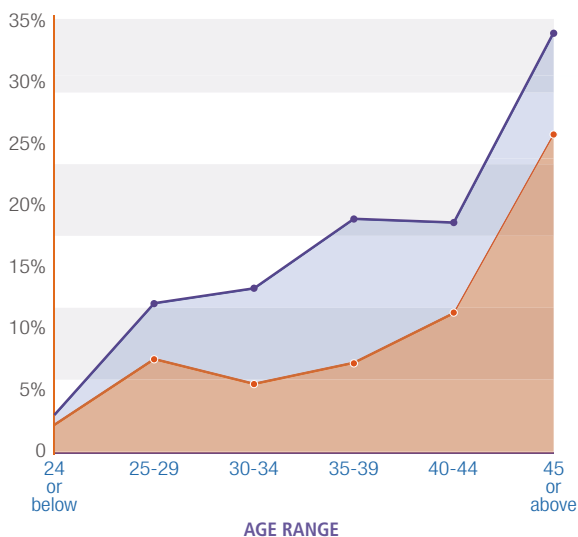
### STATEMENT OF FINANCIAL POSITION

#### 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\$144.9 million; investment in an associate of HK\$3.4 million; prepayments and other assets of HK\$8.8 million, deferred tax assets of HK\$7.9 million and right-of-use assets of HK\$1.2 million. At 30 June 2020, non-current assets amounted to HK\$168.3 million, representing approximately 18.8% of the total assets. Non-current assets decreased by HK\$20.2 million or 10.7% from HK\$188.5 million for the year ended 30 June 2019 to HK\$168.3 million for the



### STAFF STATISTICS



PRC AND OTHERS HK

PRC AND OTHERS HK

## Financial Review

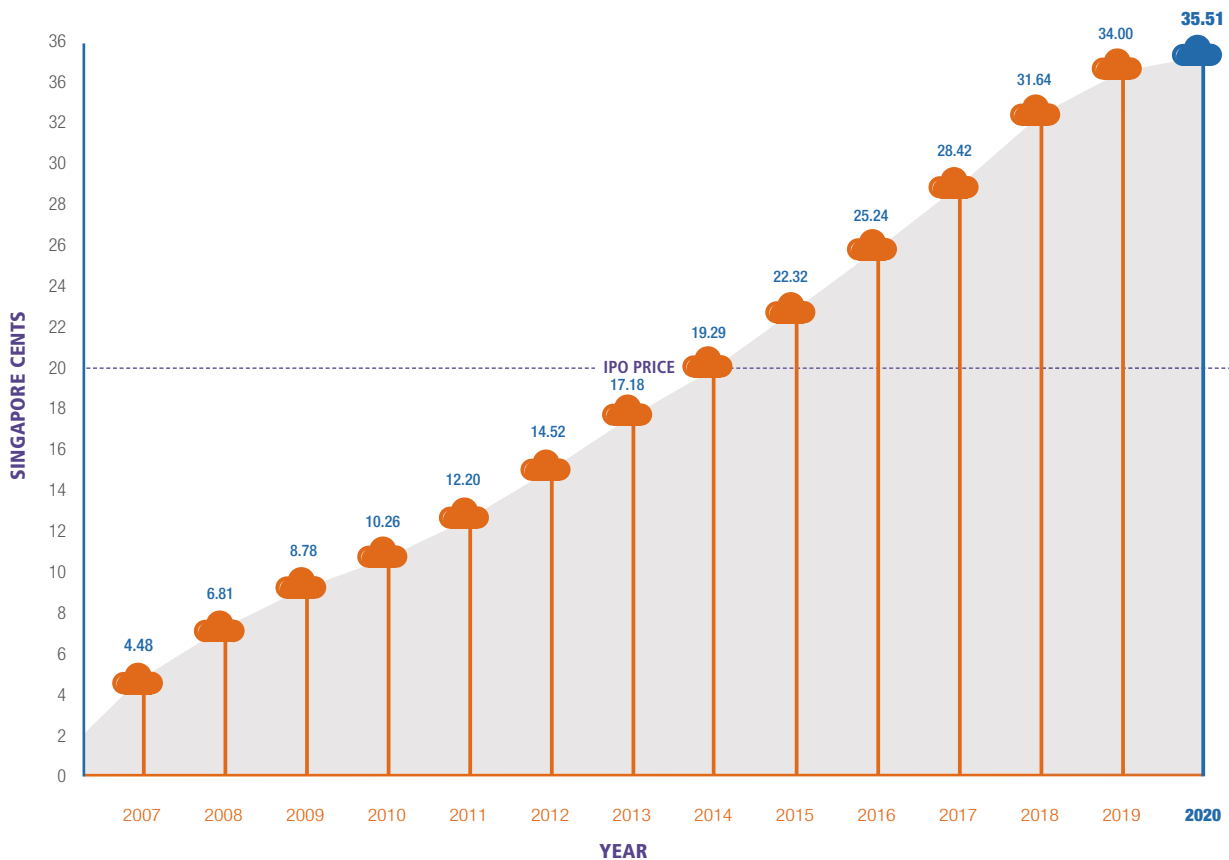
year ended 30 June 2020. The decrease was mostly due to decrease in investment properties of HK\$46.7 million which was due to (i) disposal of three office units in Shanghai; (ii) a previously leased out floor has been taken back for own use; and (iii) fair value losses on investment properties, offset by (1) increase in property, plant and equipment of HK\$14.9 million; (2) increase in prepayments and other assets of HK\$7.2 million; and (3) increase in deferred tax assets of HK\$2.6 million.

### CURRENT ASSETS

As at 30 June 2020, current assets amounted to HK\$726.7 million, a decrease of HK\$51.1 million compared to the immediate preceding financial year end at 30 June 2019. The decrease was mostly due to decrease in trade and bill receivables of HK\$62.0 million, offset by increase in cash and cash equivalent of HK\$13.5 million.



### ACCUMULATED DIVIDEND PAID SINCE IPO



### CURRENT LIABILITIES

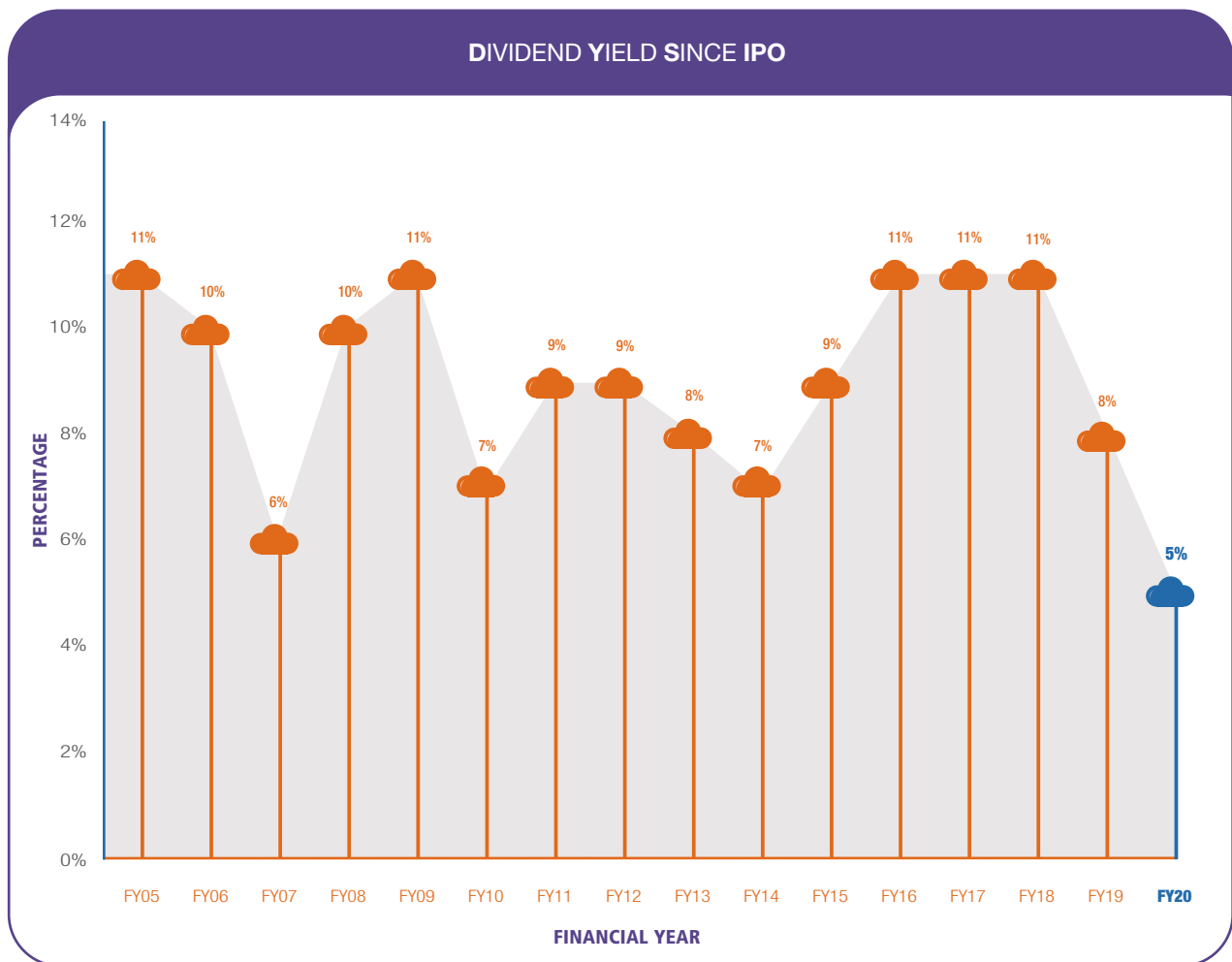
As at 30 June 2020, current liabilities amounted to approximately HK\$459.0 million, a decrease of HK\$50.8 million compared to the immediately preceding financial year end as at 30 June 2019. The decrease was mainly due to (1) decrease in interest-bearing bank and other borrowings by HK\$40.9 million; and (2) decrease in trade and bill payables by HK\$10.3 million.

### NON-CURRENT LIABILITIES

Non-current liabilities amounted to HK\$8.8 million, representing 1.9% of the total liabilities as at 30 June 2020. The amount comprised of deferred tax liabilities, long term contract liabilities and long term lease 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 30 June 2020, cash and cash equivalents amounted to HK\$86.7 million. Total interest bearing loans and borrowings as at 30 June 2020 were HK\$85.5 million and the gearing ratio which is defined as total borrowings to total equity, is 0.20 times (2019: 0.28 times).



# Board of Directors



**Mr. Ng Kin Wing, Raymond**  
*Executive Chairman and Chief Executive Officer*

Mr. Ng Kin Wing, Raymond, is the Executive Chairman, Chief Executive Officer and an Executive Director of our Group. He was appointed as Executive Chairman on 9 October 2014 and a member of our Board since 5 September 2002. Mr. Ng is one of the founders of our Group and is responsible for overseeing the Group's entire operations and general management. He has over 40 years of experience in the components distribution and computer business. Mr. Ng is a full member of the Hong Kong Management Association, a fellow member of the Hong Kong Institute of Marketing, a member of the Society of Automotive Engineers International (MSAE), a Chartered Engineer (CEng), a member of the Institution of Mechanical Engineers (MIMechE) and a member of the Institute of Electrical and Electronics Engineers (MIEEEE). Mr. Ng obtained his Higher Certificate in Mechanical Engineering at the Hong Kong Technical College (former college of the Hong Kong Polytechnic University) in 1971 and Bachelor of Business Administration degree from the University of East Asia of Macau (Former University of Macau) in 1990. In 2004 he obtained a Master of Business Administration (MBA) degree from the Macquarie University of Sydney, Australia. In addition, he was awarded the degrees of Master of Arts in Applied Translation (MAAT) from The Open University of Hong Kong in 2008 and Master of Science (MSc) in Energy and Environment from City University of Hong Kong in 2015. He is the younger brother of Mr. Philip Ng, and uncle of Mr. Michael Ng.



**Mr. Ng Mun Kit, Michael**  
*Executive Director*

Mr. Ng Mun Kit, Michael, is an Executive Director of our Group. He joined our Group in 2014 and was appointed to our Board on 1 July 2018. He is responsible for business strategy, marketing and service operation for the Group. He graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree with majors in Finance and Marketing in 1998. In 2002, Mr. Ng obtained a Graduate Diploma in Applied Finance and Investments from the Securities Institute of Australia, and a Diploma in Technical Analysis from the Australian Technical Analysis Association. From 2000 to 2014, Mr. Ng worked at Thomson Reuters in Sydney and Hong Kong where he was the senior consultant and responsible for the training execution across the group in Asia. He is the son of Mr. Philip Ng and nephew of Mr. Raymond Ng.



**Mr. Lee Yiu Chung, Eugene**  
*Chief Operating Officer*

Mr. Lee Yiu Chung, Eugene, is the Chief Operating Officer and an Executive Director of our Group during the year under review. He joined our Group in July 1988 and was appointed to our Board on 26 January 2003. Mr. Lee has over 20 years of experience in marketing and sales management and is responsible for overseeing the implementation of the entire operations of our Group. He obtained his Bachelor of Science degree in 1988 and Master of Science degree in Finance in 2005 both from the Chinese University of Hong Kong.

In line with compliance of the 2018 Code of Corporate Governance, Mr. Lee resigned as Executive Director with effect from 1 July 2020 and remain as Chief Operating Officer.



**Prof. Ng Tung Sang**  
*Independent Director*

Prof. Ng Tung Sang is one of our Independent Directors. He has been a member of The University of Hong Kong Council, a Director of the Board Directors of School of Professional and Continuing Education, Head of Department of Electrical and Electronic Engineering and Dean of the Faculty of Engineering, all at The University of Hong Kong. Prof. Ng has extensive expertise in wireless communications, particularly in the third and fourth generation mobile systems. He is distinguished for his contributions in signal processing techniques in spread spectrum communication systems. Prof. Ng had been appointed as a consultant to Canon Inc. Japan, BHP Steel International and several other companies in Australia. He was awarded the Honorary Doctor of Engineering degree by the University of Newcastle, Australia, in 1997, the Senior Croucher Foundation Fellowship by The Croucher Foundation in 1999, and the IEEE Millennium medal by the Institute of Electrical & Electronic Engineers in 2000. Prof. Ng was previously appointed as our independent director on 26 January 2003. He was reappointed to our Board on 20 January 2005 after his resignation on 31 May 2003. Prof. Ng is due for retirement at the 2020 Annual General Meeting pursuant to Bye-law 86 of the Company's Bye-laws and he is not seeking re-election as a Director of the Company.

## Board of Directors



**Mr. Lim Yew Kong, John**  
*Independent Director*

Mr. Lim Yew Kong, John, was appointed an Independent Director of the Company on 20 January 2005. Since 1991, Mr. Lim has been involved in the private equity industry in Asia as a director of various investment advisory firms engaged in direct investments. From 1989 to 1991, Mr. Lim worked in Dowell Schlumberger in the United Kingdom, where he was UK division controller. Between 1984 and 1988, he was with Arthur Andersen & Co, London. Mr. Lim graduated with a Bachelor's Degree in Economics in 1984 from the London School of Economics and Political Science in the United Kingdom. He qualified as a chartered accountant in 1987 from the Institute of Chartered Accountants in England and Wales. Mr. Lim also serves as an Independent Director on other SGX listed companies.



**Mr. Lawrence Kwan**  
*Independent Director*

Mr. Lawrence Kwan was appointed an Independent Director of the Company on 13 July 2012. He has more than 40 years of experience in financial services and professional corporate secretarial services. He currently serves as an Independent Director of SBI Offshore Ltd and the Company Secretary for Marco Polo Marine Ltd; both companies are listed on the Stock Exchange of Singapore (SGX).

Between 2008 and 2014, he was a Board Member and Audit Committee Member of the Accounting and Corporate Regulatory Authority of Singapore (ACRA).

Mr. Kwan is a Fellow member of the Institute of Chartered Secretaries and Administrators, United Kingdom, a Fellow member of the Chartered Secretaries Institute of Singapore (CSIS). He is currently a Council Member and the past Chairman of the Singapore Association of the Institute of Chartered Secretaries and Administrators (SAICSA) now known as Chartered Secretaries Institute of Singapore (CSIS). He holds a Master of Business Administration degree from the University of East London, United Kingdom. He is a Graduate member of the Australian Institute of Company Directors and a full member of the Singapore Institute of Directors.

# Senior Management

**Mr. Lee Yiu Chung, Eugene**  
*Chief Operating Officer*

For Mr. Lee's complete profile, please refer to Page 11.

**Mr. Ng Yuk Wing, Philip**  
*Executive Advisor*

Mr. Ng Yuk Wing, Philip, is the Executive Advisor of our Group after he stepped down as Senior Executive Director from 1 July 2018. Mr. Ng continues to contribute to the Group on significant matters relating to the Group strategy and responsible to advise for the overall strategic planning and business development of our Group. Mr. Ng is one of the founders of our Group, having established Karin Electronic Supplies Co. Ltd. in 1977. Mr. Ng has over 30 years of experience in the components distribution business. He graduated from the University of Hong Kong with a Bachelor of Science degree in Electrical Engineering in 1972. He is the elder brother of Mr. Raymond Ng and Mr. Allan Ng and father of Mr. Michael Ng.

**Mr. Cheng Pak Cheong, Ray**  
*General Manager of IC Application Design Division*

Mr. Cheng Pak Cheong, Ray, is responsible for the IC application design division of our Group. He has over 20 years of experience in the electronic industry including sales, marketing and engineering. He holds a Bachelor of Science degree from the University of Hong Kong; a Master of Management degree in Financial Management and a Master of Business Administration degree from the Macquarie Graduate School of Management; and a Master of Laws degree from the Renmin University of China. Mr. Cheng joined our Group in July 1988.

**Mr. Chong Shi Fan, Stephen**  
*General Manager of Industrial Materials & Instrumentation Division*

Mr. Chong Shi Fan, Stephen, is responsible for the sales and marketing of industrial components and parts in our Group. Mr. Chong graduated from PCL – University of Westminster with a Bachelor of Mechanical Engineering degree. He has over 20 years of experience in Sales & Marketing of Electrical and Mechanical parts. Mr. Chong joined our Group in March 1991.

**Ms. Fan Shu Yung, Cecilia**  
*Human Resources & Administration Manager and Legal Coordinator*

Ms. Fan Shu Yung, Cecilia, is responsible for human resources management and office administration and legal affairs coordinator of our Group. Ms. Fan graduated from the University of Wollongong, Australia with a Bachelor of Commerce degree and holds a Master of Management degree in Human Resources Management from the Macquarie University, Australia. Ms. Fan has been working in the management position for over 20 years. She joined our Group in November 1996.

**Mr. Leung Yiu Chown, Desmond**  
*Chief Technology Officer and General Manager of IT Infrastructure Division*

Mr. Leung Yiu Chown, Desmond, has been appointed Chief Technology Officer the Group on 8 January 2019. Mr. Leung supervises overall IT functions (internally and externally) including application system design and development, office automation and communication networks, services delivery and end user support, as well as strategic planning to meet the business/organization objectives in the most cost-effective manner.

## Senior Management

Mr. Leung is also the General Manager of IT Infrastructure Division of the Group. He is responsible for new business development and overall operation for Information Technology business with our Group. He holds a Bachelor of Science degree in Electrical Engineering from the University of Washington. He has been in the IT industry over 20 years. He had been a system analyst, software specialist and operations manager for software services at Digital Equipment Ltd where he was responsible for the business process and establishment of the technical support group providing technical support for the whole region between 1982 to 1992. From 1992 to 1994, he was the general manager of Winup Investment Ltd, where he was responsible for real estate development in the PRC. From 1994 to 2001, Mr. Leung was the managing director of EPro Systems Ltd before joining our Group in November 2001.

### Mr. Mok Pui Wah, Kenneth

#### *General Manager of Electronic Components Division*

Mr. Mok Pui Wah, Kenneth, joined our Group in March 1988 and is responsible for overseeing the sales and marketing of the electronic components of our Group. Mr. Mok graduated from the University of Kent at Canterbury with a Bachelor of Electronic Engineering degree. He is an associate member of the Institute of Electronic Engineers and has over 20 years of experience in engineering, sales and marketing of electronic and electrical components.

### Ms. Ng Shuk Yi, Louisa

#### *Financial and Accounting Manager*

Ms. Ng Shuk Yi, Louisa, is responsible for the overall accounting affairs and credit policy setting and implementation of our Group. She has over 20 years of experience in the field of finance and accounting. Ms. Ng joined our Group in March 1980.

### Mr. Wong Chi Cheung, Clarence

#### *Financial Controller and Joint Company Secretary*

Mr. Wong Chi Cheung, Clarence, is responsible for the financial management and secretarial affairs of our Group. Mr. Wong holds a Bachelor of Commerce degree from the University of Western Australia. He is a Fellow of the Hong Kong Institute of Certified Public Accountants, a Fellow of the CPA Australia and a Fellow of the Institute of Singapore Chartered Accountants. He joined our Group in May 2007 and has over 20 years of experience in auditing, accounting, and financial management as well as secretarial affairs. Prior to joining our Group, he had worked with Hong Kong listed companies, multinational corporations and international accounting firms.



# Group Structure

## KARIN TECHNOLOGY HOLDINGS LIMITED

### HKG

KARIN ELECTRONIC SUPPLIES  
CO. LTD.  
NEW SPIRIT TECHNOLOGY LTD.  
SEN SPIRIT TECHNOLOGY LTD.  
KEPRO SOLUTIONS LTD.  
COMPUCON COMPUTERS LTD.  
KARGA SOLUTIONS LTD.  
MEET SOLUTIONS LTD. (was  
formerly known as KARFID  
TECHNOLOGY LTD.)  
KCF A STORE LTD.

### SGP

I M I KABEL & Engineering  
PTE. LTD.  
KARSING PTE. LTD.

### CHI

KARIN INTERNATIONAL TRADING  
(SHANGHAI) CO. LTD.  
○ SHANGHAI  
○ QINGDAO  
○ XIAN

KARIN ELECTRONIC TRADING  
(SHENZHEN) CO. LTD.  
○ SHENZHEN  
○ BEIJING  
○ XIAMEN  
○ CHONGQING  
○ CHANGSHA  
○ WUHAN

NEW SPIRIT ELECTRONIC  
TECHNOLOGY DEVELOPMENT  
(SHENZHEN) CO. LTD.  
○ SHENZHEN  
○ MIANYANG

KARLTEC INFORMATION SYSTEM  
(SHENZHEN) CO. LTD.  
○ SHENZHEN

MATRIX POWER TECHNOLOGY  
(SHENZHEN) CO. LTD.

SHANGHAI COSEL  
INTERNATIONAL TRADING  
CO. LTD.

# Notable Events in FY20

**OCT / 2019**  
Hong Kong Electronic Fair



**OCT / 2019**  
Alibaba Cloud x Sen Spirit Technology Partner Symposium



Sen Spirit Technology hosted its first major partner event in Hong Kong - Alibaba Cloud x Sen Spirit Technology Partners Symposium

Michael Ng, Executive Director of Karin Group making the company speech

**MAY / 2020**  
Sangfor / ProTech / DBiz / Webinar



**MAY / 2020**  
Sangfor / TopLevel / CCL / Webinar



**AUG / 2020**  
Menlo / ICON / Webinar



### Compucon Service Centre



Compucon Computers Limited expanded its services to include Jabra and Jaybird Customer and Repair Services.

### Karin Group Solutions Centre



Karin Group Solution Centre houses some of the world's leading brands in IT including Huawei, Dell, EMC and McAfee.

In FY2020, the Centre was renovated with a Cloud theme to emphasise our strategic direction to help our customers transform digitally.

FOR MORE INFORMATION, PLEASE SCAN THESE QR CODE.



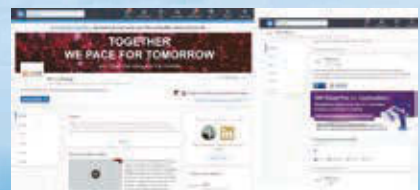
Compucon Facebook



Karin IT Group Facebook



Karin LinkedIn



# Milestones

- 2020**
- Established business relationship with Menlo Security.
  - Established business relationship with Cato Networks.
  - Established business relationship with Avaya.
  - Established business relationship with Rancher Labs.
  - Established business relationship with Acunetix.
  - Established business relationship with Gytpol.
  - Established business relationship with Elsys.
- 
- 2019**
- Established business relationship with Cloudmed.
  - Established business relationship with Film Players.
  - Established business relationship with NSFOCUS.
  - Established business relationship with Sangfor.
  - Established business relationship with SoftChef.
  - Established business relationship with Talend.
- 
- 2018**
- Established business relationship with Algosec.
  - Established business relationship with Alibaba Cloud.
  - Established business relationship with Skyhigh Networks.
  - Established business relationship with Ruckus.
- 
- 2017**
- Established business relationship with SNA Company Limited.
  - Established business relationship with Logitech Asia Pacific Limited.
- 
- 2016**
- Established business relationship with Jabra.
  - Acquisition of own use property in Singapore.
  - Established business relationship with Rapid7.
  - Established business relationship with Air Button smart device.
- 
- 2015**
- Established business relationship with Huawei International Co. Ltd.
  - Established business relationship with Samsung printers.
  - Established business relationship with TYLT.
- 
- 2014**
- Established business relationship with CA (Hong Kong) Ltd.
  - Acquisition of own use property in Beijing.
  - Established business relationship with Pericom Semiconductor (HK) Ltd.
  - Established business relationship with Procera Networks, Inc.
- 
- 2013**
- Established business relationship with Beats Electronics International Ltd.
  - In-Smart – 3rd Sham Shui Po Store was set up.
- 
- 2012**
- In-Smart – 2nd Sham Shui Po Store was set up.
  - Established business relationship with Fuji Xerox Printers Hong Kong.
  - Karin Electronic Trading (Shenzhen) Co. Ltd. – Chongqing liaison point was set up.
  - Karin Electronic Trading (Shenzhen) Co. Ltd. – Changsha liaison point was set up.
  - Karin International Trading (Shanghai) Co. Ltd. – Xian liaison point was set up.
  - In-Smart – Tsim Sha Tsui Store was set up.
  - Acquired the one remaining floor of Karin Building.
  - Established business relationship with Commvault systems (Hong Kong) Ltd.

- 2011**
- In-Smart – Sham Shui Po Store was set up.
  - In-Smart – Causeway Bay Store was set up.
  - In-Smart – Prince Edward Store was set up.
  - Subsidiary KCF A Store Ltd. (trading as In-Smart) was formed.
  - Associate Company Shanghai Cosel International Trading Co. Ltd. was formed.
  - Established business relationship with SAP Hong Kong Company Limited.
  - Established business relationship with Arista Networks Limited.
  - Established business relationship with Motorola Technology SDN BHD.
  - Subsidiary Company Matrix Power Technology (Shenzhen) Co. Ltd. was formed.
  - Acquisition of own use property in Shanghai.
  - Karltec Information System (Shenzhen) Co. Ltd. – Guangzhou Representative Office was set up.
- 
- 2010**
- Established business relationship with Imation Hong Kong Limited.
  - Established business relationship with Tectia Limited.
  - Established business relationship with McAfee Ireland Limited.
  - Established business relationship with UFIDA (Hong Kong) Co. Ltd.
  - Established business relationship with TippingPoint Technologies, Inc.
  - Established business relationship with Blue Coat Systems International SARL.
- 
- 2009**
- Accredited ISO9001:2008 certificate.
  - Established business relationship with Brocade Communications Systems, Inc.
  - Established business relationship with Check Point Software Technologies Limited.
  - Established business relationship with F5 Networks Hong Kong Limited.
  - Subsidiary company Karga Solutions was formed.
  - Acquisition of own use property in Shenzhen.
- 
- 2008**
- Established business relationship with IBM Singapore Pte Limited.
  - Established business relationship with Lexmark International (China) Limited.
  - Subsidiary company Gamatech Ltd. was disposed.
- 
- 2007**
- Established business relationship with Conwise Technology Corporation Ltd.
  - Established business relationship with Fujitsu Hong Kong Limited.
  - Established business relationship with Immense Advance Technology Corp.
  - Established business relationship with Nan Ya Plastics Corporation (LCD Unit).
  - Established business relationship with Samsung Electronics H.K. Co. Ltd.
  - Established business relationship with Victor Century International Limited.
  - Opened Karin Solution Centre.
  - Subsidiary company Karfid Technology Ltd. was formed.
  - Acquisition of a subsidiary I M I Kabel Pte Ltd.
- 
- 2006**
- Established business relationship with Quantum Corporation.
  - Established business relationship with 3i Infotech Pte Limited.
  - Established business relationship with Fortinet International Inc.
  - Established business relationship with Kashya Ltd.
  - Established business relationship with Oracle Systems Hong Kong Ltd.
  - Established business relationship with Hannspree Hong Kong Ltd.
  - Karin International Trading (Shanghai) Co. Ltd. – Qingdao liaison point was set up.
  - Subsidiary company Karltec Information System (Shenzhen) Co. Ltd. was formed.
  - Karin Electronic Trading (Shenzhen) Co. Ltd. – Xiamen Representative Office was set up.

## Milestones

- 2005** Established business relationship with Advanced Digital Information Corporation.  
Established business relationship with Computer Associates International Ltd.  
Subsidiary company Gamatech Ltd. was formed.  
Karin Technology Holdings Limited listed on the SGX Mainboard.
- 2004** Established business relationship with Apple Computers International Ltd.  
IT Support & Service Sales Division was established.  
Karin Electronic Trading (Shenzhen) Co. Ltd. – Beijing Representative Office was set up.
- 2003** Accredited ISO9001:2000 certificate.  
Established business relationship with BEA Systems HK Ltd.  
Established business relationship with EMC Computer Systems (FE) Ltd.  
Established business relationship with Nokia (H.K.) Ltd.  
Established business relationship with Dragonchip Ltd.  
Opened Sun iForce Low-Cost Computing Solution Centre.
- 2002** Established business relationship with Cheertek Inc.  
Established business relationship with Hewlett-Packard HK SAR Ltd.  
Established business relationship with Sun Microsystems of California Ltd.  
Established business relationship with Tenx Technology Inc.  
Opened Compucon Audio-Visual Product Center.  
New Spirit Technology Development (Shenzhen) Co. Ltd. – Hangzhou Representative Office was set up.
- 2001** Established business relationship with Borderware Technologies Inc.  
Subsidiary company Compucon Computers Ltd. was formed.  
Subsidiary company Karin Electronic Trading (Shenzhen) Co. Ltd. was formed.  
Subsidiary company Kepro Solutions Ltd. was formed.  
Subsidiary company New Spirit Electronic Technology Development (Shenzhen) Co. Ltd. was formed.  
Subsidiary company Sen Spirit Technology Ltd. was formed.
- 2000** Subsidiary company Karin International Trading (Shanghai) Co. Ltd.  
Subsidiary company New Spirit Technology Limited was formed.
- 1998** Established business relationship with Phoenix Contact GmbH & Co. KG.
- 1996** Accredited BSI certificate.  
Established business relationship with Compaq Computers Ltd.  
Established business relationship with Hirose Electric Co. Ltd.
- 1994** Accredited ISO9002:1994 certificate.
- 1989** Established business relationship with IXYS Corporation.
- 1988** Established business relationship with Winbond Electronic Corp.
- 1987** Established business relationship with Helukabel Singapore Pte. Ltd.
- 1985** Industrial Material & Instrumental Marketing Group was established.
- 1984** Computer Products Marketing Group was established.
- 1982** Established business relationship with Shindengen Electric Manufacturing Co. Ltd.
- 1981** Headquarters moved into Karin Building at Kwun Tong.  
China Trade Sales Division was established.
- 1977** Established business relationship with Daishinku Corp.  
Electronic Components Marketing Group was established.  
Karin Electronic Supplies Co. Ltd. was established in Hong Kong.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Ng Kin Wing, Raymond  
(Executive Chairman and Chief Executive Officer)  
Ng Mun Kit, Michael (Executive Director)  
Lee Yiu Chung, Eugene (Chief Operating Officer)  
(Resigned on 1 July 2020)  
Ng Tung Sang (Independent Director)  
Lim Yew Kong, John (Independent Director)  
Lawrence Kwan (Independent Director)

### JOINT COMPANY SECRETARIES

Wong Chi Cheung, Clarence  
Chan Lai Yin

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda  
Tel: (1441) 295 1422  
Fax: (1441) 292 4720

### BERMUDA COMPANY REGISTRATION NUMBER

32514

### PRINCIPAL OFFICE

2nd Floor, Karin Building  
166 Wai Yip Street  
Kwun Tong  
Kowloon  
Hong Kong

### BERMUDA SHARE REGISTRAR AND SHARE TRANSFER AGENT

MUFG Fund Services (Bermuda) Limited  
4th Floor North  
Cedar House  
41 Cedar Avenue  
Hamilton HM12  
Bermuda

### LEGAL ADVISORS

Morgan Lewis Stamford LLC  
F. Zimmern & Co

### REGISTRAR FOR THE SINGAPORE SHARE TRANSFER AGENT

Tricor Barbinder Share Registration Services  
(A division of Tricor Singapore Pte. Ltd.)  
80 Robinson Road #02-00  
Singapore 068898

### AUDITOR

Ernst & Young  
Certified Public Accountants  
22nd Floor, CITIC Tower  
1 Tim Mei Avenue, Central, Hong Kong  
(Partner-in-charge: Chung Chi Ming  
Appointment date: since financial year ended  
30 June 2018)

### INVESTOR RELATIONS

August Consulting Pte. Ltd.  
101 Thomson Road #30-02  
United Square  
Singapore 307591  
Email: wrisneytan@august.com.sg

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
10th Floor, HSBC Main Building  
1 Queen's Road  
Central, Hong Kong

Standard Chartered Bank (HK) Limited  
13th Floor, Standard Chartered Bank Building  
4-4A Des Voeux Road  
Central, Hong Kong

Shanghai Commercial Bank Limited  
57-61 Hong Ning Road  
Kwun Tong  
Kowloon, Hong Kong

### OUR WEBSITE

<http://www.karingroup.com>

## REPORT ON CORPORATE GOVERNANCE

Corporate Governance is central to Karin Technology Holdings Limited's (the "**Company**" or the "**Group**") approach to the enhancement of shareholder value and the protection of shareholders' funds. The Directors and Management of the Company are committed to maintaining a high standard of corporate governance practices and transparency.

The Board has reviewed the Company's corporate governance policies and practices and is pleased to confirm that for the financial year ended 30 June 2020 ("**FY2020**"), the Group has adhered to the principles and provisions as set out in the Code of Corporate Governance 2018 (the "**2018 Code**"), except where otherwise stated, the Company will explain how its practices are consistent with the intent of the relevant principles of the 2018 Code. This report outlines the corporate governance practices adopted by the Group, embodying the principles of the 2018 Code. The Board will continue to improve with developments by enhancing its principles and framework.

### BOARD MATTERS

#### PRINCIPLE 1 – BOARD'S CONDUCT OF AFFAIRS

Karin is governed by a board of directors ("**Board**") each of whom is re-elected by the Company's shareholders. The Board is accountable to shareholders for the strategic direction of the Company and value-creation for shareholders. The Board works closely with management who optimizes operational efficiency and seeks to achieve this objective for the long-term success of the Company. Management is accountable to the Board. All Directors objectively make decisions in the interests of the Company.

The Board has adopted the Board Terms of Reference which sets out the principal roles of the Board including Independent Directors, responsibilities and power of the Board and various Board Committees of the Company as well as division of responsibilities between Chairman and Chief Executive Officer. The duties and responsibilities of the executive directors are clearly set out in their service agreements.

The Board is responsible for the training needs of the Company's Directors. The Board Terms of Reference describes the director orientation and continuing education for existing directors. New director is provided a formal letter setting out the director's duties and obligations. The Company makes available to each new Director an opportunity to discuss and obtain briefing on the Company's operations to ensure that he is familiar with the Company's business and governance practices and inform each new Director of the Company's policies which affect Directors. The Directors were updated on major events of the Group by the Management. The Directors were briefed and updated on the business and organization structure of the Group and its strategic plans and objectives from time to time. The Directors were provided sufficient information about macro perspectives on developments on the region, major long-term trends and strategic alternatives available to the Company.

The Board recognizes the importance of appropriate orientation, training and continuing education for its Directors. The Company provides training to Directors annually on changes to the relevant new laws, regulations and changing commercial risks. During FY2020, one training session was provided to Directors by the Company's legal advisor and external auditor. The Directors were furnished with updates on the relevant laws such as changes to the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and new International Financial Reporting Standards ("**IFRSs**"). The Company makes available to the Directors, at the Company's cost, training or professionally conducted programmes regarding director responsibilities, changes to the relevant new laws and other matters related to service on the Board.



## REPORT ON CORPORATE GOVERNANCE

Separately, the Board has put in place a code of conduct and ethics for the Board of Directors as a means to guide Directors on the areas of ethical risk, and help nurture an environment where integrity and accountability are keys. Directors who face conflicts of interest are to disclose their interests and voluntarily recuse themselves from discussions and decisions involving the issues of conflict. All Directors are obliged to act in good faith to exercise due diligence and objectively discharge their duties and responsibilities at all times in their decisions concerning the Group's businesses.

The principal roles of the Board include, but not limited to, the following corporate matters:-

- Provide entrepreneurial leadership, set strategic objectives and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- Establish a framework of prudent and effective controls which enables risks to be assessed and managed;
- Review management performance;
- Set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
- Safeguarding of shareholders' interests and the Company's assets and identify key stakeholder groups whose perceptions may affect the Company's reputation; and
- Consider sustainability issues as part of its strategic formulation.

The Board decides matters requiring approval with a list of matters set out and communicated to the Management. Among the matters requiring Board approval are those related to financial statements, share capital, banking, acquisition and realization, agreements, remuneration, Board changes and reconstitution of Board Committees.

To facilitate effective execution of its function, the Board has delegated specific responsibilities to three subcommittees namely the Audit and Risk Management, Nominating and Remuneration Committees. These Committees are to assist the Board in exercising its responsibilities and to provide it with recommendations and advice. Each of the committees has its own terms of reference setting out its role and has the authority to examine particular issue and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters lies with the entire Board.

The Board will meet at least twice a year. Ad-hoc meetings are convened when circumstances require. Minutes of all Board Committees and Board meetings are circulated to members for review and confirmation. These minutes enable Directors to be kept abreast of matters discussed at such meetings. The number of the Board and the Board Committees meetings held and the attendance of each Director during FY2020 are set out as follows:

## REPORT ON CORPORATE GOVERNANCE

### ATTENDANCE OF MEMBERS AT MEETINGS OF THE BOARD AND THE BOARD COMMITTEES HELD DURING FY2020

Name of director	Board		Audit and Risk Management committee		Nominating committee		Remuneration committee	
	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended
Mr. Ng Kin Wing, Raymond (Executive Chairman and CEO)	2	2	-	-	-	-	-	-
Mr. Ng Mun Kit, Michael (Executive Director)	2	2	-	-	-	-	-	-
Mr. Lee Yiu Chung, Eugene (Chief Operating Officer) (Resigned on 1 July 2020)	2	2	-	-	-	-	-	-
Prof. Ng Tung Sang (Independent Director)	2	2	2	2	2	2	2	2
Mr. Lim Yew Kong, John (Independent Director)	2	2	2	2	2	2	2	2
Mr. Lawrence Kwan (Independent Director)	2	2	2	2	2	2	2	2

Under the existing Bye-laws of the Company, the Directors may participate in any meeting of the Board by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

The Board is furnished with Board papers prior to any Board meeting. These papers include key information that is complete, adequate and issued in sufficient time to enable the Directors to obtain additional information or explanations from the Management, if necessary. Management provides all members of the Board with a balanced and understandable key financial data with such information and explanation on a quarterly basis. Furthermore, the Management has been providing all the Executive Directors with monthly consolidated financial reports. The Board papers include minutes of the previous meeting, financial results announcements, and reports from Management, internal and external auditors. Each director reviews all materials provided by the Company relating to matters to be considered at the meetings. Summary of financial data would be provided by Management to the Board on quarterly basis.

A calendar of meetings is scheduled for the Board a year in advance. At each Board meeting, Independent Directors are briefed on the Company's business including risk issues and financial environment and they are also updated on the issues discussed at the monthly management meeting. These information will enable the directors to make informed decisions.

The Directors have separate and independent access and they may communicate directly with the Management team and Company Secretary on all matters whenever they deem necessary.

## REPORT ON CORPORATE GOVERNANCE

In carrying out their duties, the Directors, whether individually or as a group, have direct access to the independent professional advisors to obtain advice. Any cost of obtaining such professional advice will be borne by the Company.

The Company Secretaries administer, attend and prepare minutes of Board and Board Committee meetings. The Chairman of all Board and Board Committees will be assisted by the Company Secretaries in ensuring that procedures are followed and reviewed so that the Board and Board Committees function effectively and ensures that the Company's Bye-Laws and relevant rules and regulations, including the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") are complied with. During FY2020, the Company Secretaries attended all Board and Board Committee meetings. The Company Secretaries also act as the primary channel of communication between the Company and the SGX-ST. The appointment and removal of the Company Secretaries are subject to the Board's approval.

### PRINCIPLE 2 – BOARD COMPOSITION AND GUIDANCE

As at the date of this report, the Board comprises five Directors, three of whom are independent. There is an independent element on the Board, with Independent Directors and Non-Executive Directors constituting a majority of the Board following cessation of Mr. Lee Yiu Chung, Eugene as Executive Director on 1 July 2020 and remain as Chief Operating Officer of the Company. Key information of the Board is found under the Board of Directors section of the Annual Report.

The Nominating Committee ("**NC**") adopts the 2018 Code definition of what constitutes an Independent Director in its review. An independent director is one who is independent in conduct, character and able to exercise independent business judgement in the best interests of the Company and has no relationships with the Company, related corporations, its substantial shareholders or its officers management and/or companies within the Groups. The Board is able to exercise independent judgement on corporate affairs and provide management with a diverse and objective perspective on issues. Among the items the NC considers while reviewing the independence are:–

1. Whether a director, or a director whose immediate family member, in the current or immediate past financial year, provided to or received from the company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services), other than compensation for board service. Payments aggregated over any financial year in excess of S\$50,000 should generally be deemed significant.
2. Whether a director, or a director whose immediate family member, in the current or immediate past financial year, is or was, a substantial shareholder or a partner in (with 5% or more stake), or an executive officer of, or a director of, any organisation which provided to or received from the company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services). Payments aggregated over any financial year in excess of S\$200,000 should generally be deemed significant irrespective of whether they constitute a significant portion of the revenue of the organisation in question.
3. Whether a director is or has been directly associated with a substantial shareholder of the company, in the current or immediate past financial year.

The Board also reviewed independence of Directors based on Rule 210(5)(d) of the Listing Manual which sets out the specific circumstances in which a director should be deemed non-independent. These circumstances include:

- (a) a director who is being employed by the company or any of its related corporations for the current or any of the past three financial years;
- (b) a director who has an immediate family member who is, or has been in any of the past three financial years, employed by the company or any of its related corporations and whose remuneration is determined by the Remuneration Committee ("**RC**").

## REPORT ON CORPORATE GOVERNANCE

The NC reviewed the declaration of independence of each director and was satisfied that all Independent Directors were considered independent for the purpose of Provision 2.1 of the 2018 Code and Rule 210(5)(d) of the Listing Manual. The Independent Directors do not have any relationship with the Company, related corporations, its substantial shareholders or officers. The Independent Directors are not employees of any company within the Group.

The Board has adopted a Board Diversity Policy which recognizes diversity as essential in providing better support to the Group to achieve its strategic objectives for long term sustainable development. A diverse Board will enhance the decision-making process of the Board through perspectives derived from various skills, industry and business experiences, gender, age, tenure of services and other distinctive qualities of the Directors. The Board is able to exercise independent judgement on corporate affairs and provide Management with a diverse and objective perspective on issues. Each Board member brings independent judgement, diversified skills, knowledge and experience when dealing with issues of strategy, performance and standards of conduct. They also provide core competencies of accounting, finance, engineering, business and management experience, industry knowledge, strategic planning experience, and customer-based experience or knowledge with their pattern-recognition skills. This is beneficial to the Company and Management as decisions by the Board would be enriched by a broad range of views, perspectives and experiences of the Directors. The Board is of the view that an effective blend of skills, experiences and knowledge in areas identified by the Board should remain a priority and it is imperative to construct a quality board based on caliber, breadth of perspective and chemistry that allow effective execution of corporate governance and strategic oversight. The Company is aware of the coming of the Great Age comprises new horizon of the clean energy and digital economy. It is necessary to have diversity of age as the Company embraces the Great Age. With the presence of the executive director, Mr Ng Mun Kit, Michael who belongs to the Generation X, the Board received different skills set and perspectives for the Internet of Things (IoT) business on smart city concept launched across all 3 segments. The Board recognizes the relationship and information flow between the Board and Senior Management is pivotal to the Company. The Board is supported by Senior Management, of whom at least a quarter are women team members who have been with the Company for over 20 years. The Company values the contribution by each member of the Senior Management. The Board will constantly examine its size with a view of determining its impact on its effectiveness. Qualifications and experiences of the Board members and Senior Management are set out under the Board of Directors and Senior Management sections of the Annual Report.

The primary role of the Independent Director is to act as a check and balance on the acts of the Board and Management of the Company. In summary, the Independent Director is to promote the best interests of minority shareholders and as a whole, promote the interests of all shareholders. Independent Directors review and monitor the performance of the Management of the Company. To facilitate a more effective check on management performance, Independent Directors meet regularly, at least twice annually, without management present.

### PRINCIPLE 3 – CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Ng Kin Wing, Raymond (“**Mr. Raymond Ng**”) is the Executive Chairman and Chief Executive Officer (“**CEO**”) of the Company. Mr. Raymond Ng is one of the founders of the Group and has over 40 years of experience in the components distribution business.

The Board believes that the role of Chairman of the Board and CEO need not be separated with the combination of a balance of power, accountability and capacity of the Board for independent decision making with the Board Committees chaired by Independent Directors. No one individual represents a considerable concentration of power.

## REPORT ON CORPORATE GOVERNANCE

As Executive Chairman, Mr. Raymond Ng is responsible for the effective working of the Board. The Executive Chairman's responsibilities include, but not limited to:

- effective working of the Board;
- schedule meetings to enable the Board to perform its duties and responsibilities;
- prepare the agenda of meetings;
- ensure proper conduct of meetings and accurate documentation of the proceedings;
- encourage constructive relations within the Board and between the Board and Management;
- ensure smooth and timely flow of information between the Board and Management;
- ensuring effective communication with shareholders;
- promote a culture of openness and debate at the Board; and
- promote high standards of corporate governance.

In addition to the above duties, the Executive Chairman will assume duties and responsibilities as may be required from time to time.

Mr. Raymond Ng is primarily responsible for overseeing the overall management, and strategic planning and business development of the Group. Mr. Raymond Ng manages the business operations of the Group and day-to-day management of the Company, organizational effectiveness and implementation of Board policies. Mr. Raymond Ng works closely with the other Executive Director and assisted by a team of Senior Management.

The Board has written terms of reference for the Lead Independent Director ("**LID**") that describes the responsibilities and authority of a LID. Mr Lawrence Kwan will replace Prof. Ng Tung Sang as LID after the forthcoming AGM. The LID shall be available to the shareholders where they have concerns which contact through the normal channels of the Executive Chairman and CEO or Management has failed to resolve or for which such contact is inappropriate.

The Independent Directors, led by the LID, meet amongst themselves without the presence of the other Directors where necessary, and the LID will provide any feedback to the Chairman after such meetings.

### PRINCIPLE 4 – BOARD MEMBERSHIP

The NC comprises three members, all are independent directors. The Lead Independent Director is Chairman of the NC. Members of the NC are as follow:

Prof. Ng Tung Sang	–	Chairman
Mr. Lim Yew Kong, John	–	Member
Mr. Lawrence Kwan	–	Member

## REPORT ON CORPORATE GOVERNANCE

The NC has written terms of reference and is responsible for:

- recommending to the Board on all Board appointments having regard to the Directors' contribution and performance;
- recommending to the Board for review and discussion on board succession plans, in particular of the Chairman and CEO;
- review training and professional development programs for the Board;
- reviewing and determining the independence of each Director annually;
- deciding whether or not a Director is able and has been adequately carrying out his duties as a Director;
- identifying and making recommendations to the Board as to the Directors who are retiring by rotation and to be put forward for re-election at each Annual General Meeting ("**AGM**") of the Company, having regard to the Directors' contribution and performance, including Independent Directors; and
- deciding whether a Director who has multiple Board representations, is able to and has been adequately carrying out his duties as a Director of the Group.

The NC was apprised of the Board succession plans of the Chairman and CEO through a committee of key senior management staff who works closely with the Chairman and CEO.

In accordance with the provisions of the Company's Bye-Laws, one-third of the Directors shall retire from office at every AGM and each Director shall retire at least once every 3 years. A retiring director shall be eligible for re-election at the said AGM. The NC, having assessed the performance and contribution to the Board and the Company, had identified Mr. Lawrence Kwan and Prof. Ng Tung Sang as Directors due for retirement at the forthcoming AGM. Mr Lawrence Kwan had confirmed seeking re-election at the forthcoming AGM. Prof. Ng Tung Sang ("**Prof. Ng**") had indicated his intention of not seeking re-election as a director of the Company at the forthcoming AGM. Upon the conclusion of the forthcoming AGM, Prof. Ng Tung Sang will retire as a director of the Company and cease to be Chairman of the Nominating Committee and a member of the Remuneration Committee and Audit and Risk Management Committee.

The Board also considered the need for progressive refreshing of the Board. The Board agreed that the progressive refreshing of the Board should come around the concept of performance management within a culture that demands accountability of directors and future needs of the Board for long-term success of the Company. The change of Director in 2012, succession planning for the Chairman in 2014 and change of Director on 1 July 2018 and 1 July 2020 allows progressive refreshing in the Board. The Board has considered the need to avoid undue disruptions from changes to the composition of the Board. With Prof. Ng who has indicated he will not seek re-election upon retiring at the forthcoming Annual General Meeting, the Board presently taps on professional advisors as well as the personal contacts of current directors and senior management for recommendation of prospective candidates.

## REPORT ON CORPORATE GOVERNANCE

The NC has a process for the appointment of new Directors whereby the NC first evaluates the skill set of the existing Directors (other than those who are retiring) to identify any gap in the skills and expertise of the remaining Directors. Where new appointment is required, the NC will consider recommendations for new Directors, review their qualifications and meet with such candidates, before a decision is made on a selection. The NC considered the requirements of the Board and the need of progressive renewal of the Board. In view of the foregoing, the Board is of the view that there is an adequate process for the appointment of new Directors. The criteria for identifying candidates and reviewing nominations for appointment include age and gender diversity. When sourcing for, and assessing potential candidates, the NC will consider the candidate's track record, age, experience, and capabilities. The Board, with the recommendation of the NC, has nominated Mr. Kuan Cheng Tuck for appointment as a director of the Company at the forthcoming Annual General Meeting. A separate Resolution has been included in the Notice of Annual General Meeting to seek shareholders' approval on the appointment of Mr. Kuan Cheng Tuck as a director of the Company.

The independence of each Director is reviewed annually by the NC according to the criteria described in Principle 2 of this Report on Corporate Governance. No NC member is involved in the deliberation in respect of his independence. On an annual basis, each director is required to submit a return on his independence to the Company Secretary. The NC shall review the returns and determine whether the director is to be considered independent. During the year, the NC had reviewed and determined that Prof. Ng Tung Sang, Mr. Lim Yew Kong, John and Mr. Lawrence Kwan are Independent Directors of the Company.

For the purpose of evaluating the true independence of directors who have served beyond nine years from the date of his appointment, the NC had set out the evaluation criteria and had conducted a rigorous evaluation on Mr. Lim Yew Kong, John and Prof. Ng Tung Sang who have served beyond nine years using similar evaluation criteria for the past few years. The NC and the Board (with the directors concerned abstained from deliberating) agreed that each Mr. Lim Yew Kong, John and Prof. Ng Tung Sang had expressed his views independently at all times, objectively and constructively challenged the assumptions and viewpoints presented by the Management. Robust involvement in deliberations at Boardroom by each Mr. Lim Yew Kong, John and Prof. Ng Tung Sang provides different perspectives. The Board has benefited greatly from the presence of Mr. Lim Yew Kong, John and Prof. Ng Tung Sang who have over time gained valuable insight into the Group and as a result, provided the Board with discussions containing their objective, constructive and independent views. The independence of Mr. Lim Yew Kong, John and Prof. Ng Tung Sang was not in any way affected or impaired by the length of service. The Board is satisfied that Mr. Lim Yew Kong, John and Prof. Ng Tung Sang have remained independent in their judgement and can continue to discharge their duties objectively.

The Board allows each of the Directors to personally determine the time commitment when he has multiple board representation. Each of the non-executive directors is aware that he should commit sufficient time, attention, resources and expertise to the affairs of the Company. The Board has not determined the maximum number of listed company board representations which any director may hold. Although the non-executive directors had directorships in other companies which are not within the Group, the NC is of the view that such multiple board representation do not hinder them from carrying out their duties as directors. These Directors would widen the experience of the Board and give it a broader perspective. Directors update the Company of any changes in his external appointment and these changes are noted at the Board meetings. The NC reviews whether a director is able to and has adequately carried out his duties, in particular where a director has multiple board representations. The NC is satisfied that each of the Directors was able to give sufficient time and attention to the affairs of the Company and was able to adequately carry out his duties as a director of the Company despite their board representations in other listed companies.

With more than half of the Board deemed to be independent, the Board is able to exercise independent judgment on corporate affairs and provide management with diverse and objective perspective on issues. The Board interacts and works through robust exchange of ideas and views to help shape the Group's strategic decision.

## REPORT ON CORPORATE GOVERNANCE

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The Board is of the view that no individual or small group of individuals dominates the Board's decision-making process. As a team, the Board collectively provides core competencies in the areas of finance, business, electronic engineering, business acumen and management experience. One of the independent directors has expertise in the industry of electrical and electronic engineering and he is instrumental in providing industry knowledge for effective oversight and guidance.

The Board is of the view that the current Board and its Board Committees consists of the appropriate mix of expertise, skills and experience with knowledge of the Company to provide the necessary guidance to lead and direct the Group. The effective blend of these expertise, skills and experiences in areas identified by the Board remains a priority.

Presently, the Company does not have alternate director.

### Particulars of Directors as at 30 June 2020

Name of director	Date of first appointment	Date of last re-election	Nature of appointment	Membership of Board committees	Directorship/ chairmanship of both present and those held over the preceding three years in other listed company
Mr. Ng Kin Wing, Raymond (Executive Chairman and Chief Executive Officer)	05.09.2002	24.10.2019	Executive Chairman, Chief Executive Officer and Executive Director	None	None
Mr. Ng Mun Kit, Michael (Executive Director)	01.07.2018	25.10.2018	Executive Director	None	None
Mr. Lee Yiu Chung, Eugene (Chief Operating Officer) (Resigned on 1 July 2020)	26.01.2003	25.10.2018	Chief Operating Officer and Executive Director	None	None
Prof. Ng Tung Sang (Independent Director)	20.01.2005	25.10.2018	Lead Independent Director	Chairman of Nominating Committee and a Member of Audit and Risk Management Committee and Remuneration Committee	None
Mr. Lim Yew Kong, John (Independent Director)	20.01.2005	24.10.2019	Independent Director	Chairman of Audit and Risk Management Committee and a Member of Remuneration Committee and Nominating Committee	Global Invacom Group Limited (SGX) Zico Holdings Inc. (SGX)
Mr. Lawrence Kwan (Independent Director)	13.07.2012	20.10.2017	Independent Director	Chairman of Remuneration Committee and a Member of Audit and Risk Management Committee and Nominating Committee	SBI Offshore Ltd (SGX)



## REPORT ON CORPORATE GOVERNANCE

### PRINCIPLE 5 – BOARD PERFORMANCE

The NC has adopted a formal process and assessed the effectiveness of the Board as a whole and its Board Committees and each individual director and Chairman to the effectiveness of the Board for FY2020. The performance criteria remained the same as last year. During FY2020, the Board had reviewed the performance criteria which includes evaluation on matters relating to risk management. Some of the factors considered relate to Board's conduct of affairs, Board information on provision of sufficient information for major long-term trends and strategic alternatives and accountability to effectively identify, assess and respond to significant risks. The Group has conducted Board-approved evaluation process and performance criteria for such evaluation and determination.

The objective of the performance evaluation exercise is to identify strengths and challenges so that the Board is in better position to provide the required expertise and oversight. Meanwhile, the objective of assessment by each individual director is for directors to evaluate their skills and motivate directors to be more effective contributors.

The assessment process involves and includes circulation of the evaluation of questionnaire to all Board members with the performance criteria recommended by the NC and approved by the Board. The Directors' input are collated and reviewed by the Chairman of the NC, who presents a summary of the overall assessment to the NC for review. The NC would discuss areas where the Board's performance and effectiveness could be enhanced and recommendations for improvement are then submitted to the Board for discussion and for implementation. The NC Chairman presented the key summary of the overall assessment. The Directors discussed on the strategic planning process, business objectives and risk management while the Management, represented by the Executive Chairman and CEO, Chief Operating Officer ("COO") and Executive Director, provides insight on the business and industry with the objective of finding opportunities for improvement and enhance long-term shareholder value. The NC provides its views to the Board for the Board's consideration. The Chairman ensures that action is taken on the results of the performance evaluation.

During the year, the Board's performance was evaluated. The Board concluded that the performance of the Board as a whole has been satisfactory and the Board and various Board Committees operate effectively with each Director and the Chairman contributing to the overall effectiveness of the Board.

Summary of NC activities in FY2020:

- reviewed structure, size and composition of the Board and Board Committees;
- reviewed independence of Directors;
- reviewed and initiate process for evaluating Board, Board Committee, Chairman and individual Directors performance;
- reviewed results of performance evaluation and feedback to the Chairman and Board Committees;
- reviewed the need to progressive refreshing of the Board;
- considered recommendations for new Director, review their qualifications and meet with such candidates, before a decision is made on a selection;
- reviewed succession planning for Chairman, CEO and key management personnel and notified the Board; and
- discussed information required to be reported under the 2018 Code or Listing Manual.

## REPORT ON CORPORATE GOVERNANCE

### REMUNERATION MATTERS

#### PRINCIPLE 6 – PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC comprises three members, all are independent directors. They are:

Mr. Lawrence Kwan	–	Chairman
Mr. Lim Yew Kong, John	–	Member
Prof. Ng Tung Sang	–	Member

The Board has approved the written terms of reference of the RC. The RC performs, but not limited to, the following functions:

- recommending to the Board a framework of remuneration for the Board and the key executives of the Group covering all aspects of remuneration such as Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;
- proposing to the Board, appropriate and meaningful measures for assessing the Executive Directors' performance;
- determining the specific remuneration packages for each Executive Director and key executives;
- considering the eligibility of Directors for benefits under long-term incentive schemes; and
- considering and recommending to the Board the disclosure of the details of the Company's remuneration, specific remuneration packages of the Directors and key executives of the Company to those required by law or by the 2018 Code.

The Directors do not participate in any decision concerning their own remuneration. The RC met to discuss and review the service agreements of the executive directors.

As part of its review, the RC will ensure that the remuneration package of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities.

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of the Executive Directors and key management personnel. RC will obtain advice from external consultants for benchmarking, where necessary.

The Share Option Scheme Committee, consists of all members of the RC, was established to administer the Karin Employee Share Option Scheme (the "**2005 ESOS**") in accordance with the objectives and regulations of the 2005 ESOS and to determine participation eligibility, options offers and share allocation and to attend to such other matters that may be required. The 2005 ESOS was adopted on 20 January 2005. A member of the RC who is also a participant of the 2005 ESOS shall not be involved in the deliberation of Options granted or to be granted to him. Controlling shareholders and their Associates will not be eligible to participate in the 2005 ESOS.

The 2005 ESOS had a maximum duration of ten years and expired on 20 January 2015. Before the expiring of the 2005 ESOS, the Company had terminated the 2005 ESOS and adopted the 2014 Karin Employee Share Option Scheme ("**2014 ESOS**") in substitution for the 2005 ESOS. The 2014 ESOS was approved by the shareholders on 9 October 2014 at the 2014 AGM.

## REPORT ON CORPORATE GOVERNANCE

During FY2020, the Company has not issued any new ordinary shares upon the exercise of options under the 2005 ESOS. No options were granted under the 2014 ESOS during FY2020. There was no share option outstanding as at 30 June 2020 as all share options granted under 2005 ESOS were either exercised or lapsed.

The RC also administers the Karin Performance Share Plan (the "**Share Plan**") in accordance with the Rules of the Share Plan approved by Shareholders on 21 October 2010. The key objectives of the Share Plan are to motivate eligible participants to optimise their performance standards and efficiency and to reward them for their significant contributions with participation in the equity of the Company. Group employees and non-executive directors are eligible to participate in the Share Plan. No member of the RC shall be involved in any deliberation of Awards to be granted to him. During FY2020, no treasury shares were awarded to any key executives pursuant to the Share Plan. A separate Resolution for the renewal of the Share Plan has been included in the Notice of AGM to seek shareholders' approval.

The purpose of adopting more than one share plan is to give the Company greater flexibility in aligning the interests of a person selected to participate in the share plan ("**Participants**") with those of shareholders. It is also intended that the 2014 ESOS and Share Plan will complement each other in the Company's continuing efforts to reward and motivate Participants to achieve superior performance. The 2014 ESOS and Share Plan will further strengthen the Company's competitiveness in attracting and retaining employees, especially employees who have the requisite knowledge, technical skills and experience whom the Company believes could contribute to the development and growth of the Group.

The RC hopes that the implementation of the 2014 ESOS in conjunction with the Share Plan will inculcate in the eligible participants a stronger and more lasting sense of identification with the Group.

On 21 October 2010, shareholders have approved the participation in the Share Plan by the respective controlling shareholder, Mr. Raymond Ng and Mr. Ng Yuk Wing, Philip ("**Mr. Philip Ng**"). The Company is required to seek a specific and separate approval from independent shareholders at a general meeting to approve the specific number of shares and terms of the Share Plan to be granted. During FY2020, the Company did not convene a general meeting on the grant of specific number of shares under the Share Plan to Mr. Raymond Ng or Mr. Philip Ng.

Mr. Raymond Ng and Mr. Philip Ng have been substantial shareholders of the Company since incorporation. None of the directors or CEO buys and sells shares for the past 3 years.

No external remuneration consultant was appointed in FY2020. If necessary, the RC shall seek expert advice on remuneration of all directors and ensure that any relationship between the appointed consultant and any of its director or company will not affect the independence and objectivity of the remuneration consultant.

## REPORT ON CORPORATE GOVERNANCE

### PRINCIPLE 7 – LEVEL AND MIX OF REMUNERATION

The RC recommends to the Board a framework of remuneration for the Directors and key executives, and determines specific remuneration packages for each Executive Director. The recommendations of the RC on the remuneration of Directors would be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be covered by the RC.

The remuneration of the Executive Directors and key executives comprises fixed component, variable component and other benefits.

The fixed component relates to basic salary, statutory contributions and fixed allowances. The variable component comprises profit sharing bonus for the Executive Directors based on the Group's performance, and variable bonus for key executives that is linked to the performance of the Group and individual. Another element of the variable component under the remuneration package is the long-term incentive schemes such as 2014 ESOS and Share Plan, set to ensure that it is competitive and sufficient to attract, retain and motivate directors and key executives of the required experience and expertise to run the Company successfully. Award of long-term incentive schemes is based on the Group's financial health such as profit and loss and growth and qualitative and quantitative assessment of individual performance to ensure the overall assessment of performance and remuneration are aligned with the Company's true performance over a period of time. There are appropriate and meaningful measures for the purpose of assessing the performance of Executive Directors and key executives.

Other benefits are provided, which are consistent with market practice, and include medical benefits, travel allowances, car expenses and other flexible benefits. For staff who are located outside their home market, additional benefits such as cost of living allowances and home leave passages are provided.

The Remuneration Committee is satisfied that performance conditions of the Directors and key executives for the year under review were met.

The service agreement of the Executive Directors is subject to review by the RC. The key terms among others, appointment period, remuneration and renewal term will be reviewed by the RC on annual basis.

Independent directors are paid a fee for sitting on any of the Board Committees. Save for Directors' fees which have to be approved by the shareholders at every AGM, independent directors do not receive any remuneration from the Company.

There are no termination or retirement benefits that are granted to the Directors. Having considered the variable components of the Executive Directors and key executives, the RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key executives in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

## REPORT ON CORPORATE GOVERNANCE

### PRINCIPLE 8 – DISCLOSURE ON REMUNERATION

The annual remuneration band of each individual Director and the top 5 key executives for the financial year ended 30 June 2020 are set out below:

#### Directors' Remuneration

Name of director	Remuneration band	Director's fee %	Salary & benefit %	Variable bonus %	Grant of share options %	Total %
Mr. Ng Kin Wing, Raymond	II	–	96.0	4.0	–	100.0
Mr. Ng Mun Kit, Michael	I	–	93.2	6.8	–	100.0
Mr. Lee Yiu Chung, Eugene (Resigned on 1 July 2020)	II	–	95.9	4.1	–	100.0
Prof. Ng Tung Sang	I	100.0	–	–	–	100.0
Mr. Lim Yew Kong, John	I	100.0	–	–	–	100.0
Mr. Lawrence Kwan	I	100.0	–	–	–	100.0

#### Top 5 Key Executives' Remuneration

Name of key executive	Remuneration band	Salary & benefit %	Variable bonus %	Grant of share options %	Total %
Mr. Cheng Pak Cheong, Ray	I	82.1	17.9	–	100.0
Ms. Fan Shu Yung, Cecilia	I	73.3	26.7	–	100.0
Mr. Leung Yiu Chown, Desmond	II	52.5	47.5	–	100.0
Mr. Mok Pui Wah, Kenneth	I	78.9	21.1	–	100.0
Ms. Ng Shuk Yi, Louisa	I	73.4	26.6	–	100.0

#### NOTES:

Band I: S\$0 to S\$249,999

Band II: between S\$250,000 to S\$499,999

## REPORT ON CORPORATE GOVERNANCE

Information on immediate family members of a director or CEO and whose remuneration exceeds S\$50,000 during FY2020 is set out below:

Name	Family relationship with any Director and/or substantial shareholder	Remuneration band
Ng Yuk Wing, Philip	Father of Ng Mun Kit, Michael (Executive Director) and brother of Ng Kin Wing, Raymond (Executive Chairman and CEO) of the Group, respectively.	S\$250,000 to S\$299,999

The Company is not disclosing each individual Director's remuneration. Instead, the Company is disclosing remuneration of each Director in bands of S\$250,000.

To maintain confidentiality of staff remuneration and to prevent poaching of Directors and key executives, the Board is of the view that specific remuneration disclosure of each director and top five key executives is not in the best interest of the Company especially in the evolving and fast-paced IT and Components industry which the Company is operating. Instead, the Company discloses the total remuneration paid to the top 5 key executives which is approximately S\$1,170,000. Key executives' remuneration is set in accordance with a remuneration framework comprising salary (including basic salary and benefits-in-kind), and variable payments.

Mr. Ng Kin Wing, Raymond and Mr. Ng Mun Kit, Michael were not involved in the deliberation and determination of the remuneration of their family members.

Details of the 2014 ESOS are set out in the Notes to the financial statements.

Summary of RC activities in FY2020:

- reviewed and approved fixed remuneration, total cash remuneration and total remuneration for executives;
- reviewed benchmarking of fees for directors;
- reviewed remuneration packages of key executives in the Group; and
- reviewed remuneration package of the Executive Directors and Executive Chairman/CEO.

## ACCOUNTABILITY AND AUDIT

### PRINCIPLE 9 – RISK MANAGEMENT AND INTERNAL CONTROLS

The Board believes in the importance of maintaining a sound system of internal controls to safeguard the interests of the shareholders and the Group's assets. The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

The Board oversees Management in the areas of risk management and internal control system. The Board regularly reviews and improves the Company's business and operational activities to identify areas of significant risks as well as take appropriate measures to control and mitigate these risks.

## REPORT ON CORPORATE GOVERNANCE

The Board, with the assistance of the Audit and Risk Management Committee (“**ARMC**”), assesses the effectiveness of the system of internal controls established and maintained by the Group, addressing financial, operational, information technology and compliance, by considering reviews performed by the Management and the internal assessment reports performed by internal audit staff from the Internal Audit Department.

The internal audit staff (“**Internal Auditor**”) reviews the effectiveness of the system of internal controls (including financial, operational, information technology and compliance) established and maintained by the Group based on the Internal Audit Plan approved by the ARMC, after consultation with Management so as to suit the specific requirements of the Group. The Internal Audit Reports are presented to the ARMC regularly. The Internal Auditor also monitors and evaluates the effectiveness of the Group’s risk management processes. The Internal Auditor reviews the Karin Group Risk Register which consists of risks identified and recorded by Management and reports to the ARMC on the assessment of the risk management in connection with the risk to which they are related. The key executives hold monthly management meeting to discuss issues on business risks and its assessments.

The Board reviews the adequacy and effectiveness of the Company’s internal control systems (including financial, operational, compliance and information technology) and risk management systems. Based on the reports presented, the Board, with the concurrence of the ARMC, is satisfied that the system of internal controls established and maintained by the Group addressing financial, operational, compliance and information technology controls as well as risk management systems, were adequate to meet the needs of the Group in its current business environment. The controls relating to information technology were reviewed by the internal audit staff and reviewed by the ARMC during FY2020.

The Board, with the assistance of the ARMC, oversees risk management and does not have a separate risk committee.

The Board received assurance in writing from the CEO and Group Financial Controller, namely, Mr. Ng Kin Wing, Raymond and Mr. Wong Chi Cheung, Clarence, that financial records have been properly maintained and financial statements of the Company give a true and fair view of the Company’s operations and finances. The assurance from Mr. Ng Kin Wing, Raymond and Mr. Wong Chi Cheung, Clarence also includes the adequacy and effectiveness of the Company’s risk management and internal control systems (including financial, operational, information technology and compliance).

### PRINCIPLE 10 – AUDIT COMMITTEE

The Company has established an ARMC which comprises three members, all are independent directors. They are:

Mr. Lim Yew Kong, John	–	Chairman
Prof. Ng Tung Sang	–	Member
Mr. Lawrence Kwan	–	Member

At least 2 members of the ARMC including the Chairman have accounting or related financial management expertise or experience.

The role of the ARMC is to assist the Board with discharging its responsibilities to safeguard the Company’s assets, maintain adequate accounting records and, develop and maintain effective system of internal controls. The ARMC has explicit authority to investigate any matter within its written Terms of Reference with full access to and co-operation by Management.

## REPORT ON CORPORATE GOVERNANCE

The ARMC, which has written terms of reference, meets periodically to perform its functions which include, but not limited to, the following:

- review the significant reporting issues and judgements to ensure integrity of financial statements of the Company and formal announcements relating to the Company's financial performance;
- review adequacy and effectiveness of the Group's internal controls including financial, operational, compliance and information technology controls;
- review the effectiveness of the Company's internal audit function;
- review the scope and results of external audit and independence and objectivity of the Company's external auditor;
- review the co-operation given by the Company's officers to the external auditors;
- nominate external auditors for re-appointment;
- review interested person transactions, if any; and
- review Whistle-Blowing Policy.



## REPORT ON CORPORATE GOVERNANCE

The ARMC reviewed the scope and quality of the audits and the independence and objectivity of the external auditor as well as the cost effectiveness. The ARMC is satisfied that the external auditor, E&Y is able to meet the audit requirements and statutory obligation of the Company. The ARMC has nominated E&Y, for re-appointment as external auditor of the Company at the forthcoming AGM. E&Y is an auditing firm acceptable by the SGX-ST. The Company is in compliance with Rule 712 of the Listing Manual of the SGX-ST. E&Y has been appointed as the Company's external auditor since its public listing in Singapore in 2005.

The ARMC and Board are satisfied that the appointment of different auditors for its subsidiaries incorporated in Singapore and the People's Republic of China ("PRC") would not compromise the standard and effectiveness of the audit of the Company. The Company therefore is in compliance with Rules 715 and 716 of the Listing Manual of SGX-ST. The Company has engaged suitable auditing firms for its significant foreign-incorporated subsidiaries and associated company. Accordingly, the names of auditing firms for its significant subsidiaries and associated company are disclosed below, pursuant to Rule 717 of the Listing Manual of SGX-ST:

Name of significant subsidiaries and associated companies	Name of auditing firm
New Spirit Electronic Technology Development (Shenzhen) Company Limited	Wongga Partners Certified Public Accountants (SZ) General Partner
Karin Electronic Trading (Shenzhen) Company Limited	Wongga Partners Certified Public Accountants (SZ) General Partner
Karin International Trading (Shanghai) Company Limited	Shanghai Jialiang CPAs Limited
Karltec Information System (Shenzhen) Company Limited	Wongga Partners Certified Public Accountants (SZ) General Partner
Matrix Power Technology (Shenzhen) Co. Ltd.	Shenzhen Zhonghang Certified Public Accountants
I M I Kabel and Engineering Pte. Ltd.	KBH Integra PAC
Karsing Pte. Ltd.	HLB Atrede LLP
Shanghai Cosel International Trading Co. Ltd.	Shanghai HDDY Certified Public Accountants Co., Ltd.

The ARMC meets periodically and also holds informal meetings and discussion with Management from time to time. The ARMC has full discretion to invite any director or executive officer to attend its meetings.

The ARMC met, including but not limited to telephone conference, with the external auditor and Internal Auditor without the presence of Management, at least once annually.

The ARMC had established a written whistle-blowing policy, by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Whistleblower channels, such as email addresses and phone numbers are created for reporting of whistle-blowing events. All staff should be aware about the existence of the whistle-blowing policy. The whistle-blowing policy has been posted on the Group's corporate website. Each of the ARMC members or two of the senior management is the channel for reporting of suspicious non-compliance or improprieties. The ARMC obtained quarterly update on the status of whistle-blowing.

The ARMC has reasonable resources to enable it to discharge its functions properly. The ARMC is updated annually on any changes in accounting standards by the external auditor. During the year, E&Y briefed the Directors on the new IFRSs and received updates relating to accounting practices. No former partner or director of the Company's existing auditing firm is a member of the ARMC.

## REPORT ON CORPORATE GOVERNANCE

The Company has established an Internal Audit Department and employed a full time Internal Auditor whom is a member of the Hong Kong Institute of Certified Public Accountants to perform the internal audit function and to improve the system and processes of internal controls of the Company. The Internal Auditor primarily reports to the Chairman of ARMC. The ARMC is responsible for the hiring, removal, evaluation and compensation of the Internal Auditor. The Internal Auditor has unfettered access to all the Company's documents, records, properties and personnel including access to the ARMC.

The ARMC has bi-annually reviewed the internal audit programme, the scope and results of internal audit procedures. The ARMC reviews the adequacy and effectiveness of the internal audit function. The Internal Auditor carries out its function in accordance to the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The ARMC is satisfied that the internal audit function is independent, effective and adequately resourced and has appropriate standing within the Company. The ARMC is also satisfied that the Internal Auditor is staffed by suitably qualified and experienced personnel.

Summary of ARMC activities for FY2020:

- reviewing half yearly financial statements and announcements and recommend to the Board;
- reviewing financial and operating performance of the Group;
- reviewing budget and forecasts as presented by Management;
- reviewing interested person transactions;
- reviewing the Karin Group Risk Register and assessed the Group's risks reported by the Internal Auditor, which includes both emerging and current risks;
- reviewing the Management Letter and audit report from Ernst & Young, Hong Kong ("**E&Y**"), including areas of audit emphasis and key audit matters, findings and progress of Management's actions as well as update on new accounting standards with status of Management's implementations;
- reviewing all non-audit services provided by E&Y. Details of the audit and non-audit fees paid to E&Y and other auditors are set out on note 6 of the Notes to Financial Statements of the Annual Report. The ARMC is satisfied that such services would not affect the independence and objectivity of the external auditor;
- evaluating and recommending the re-appointment of the external auditor including review of fees, provision of non-audit, objectivity and independence and review of audit plan;
- reviewing internal audit plan (including progress, implementation of management actions, changes to the plan and auditable entity) and follow-up on internal audits;
- reviewing the adequacy and effectiveness of the internal controls (including financial, operations, compliance and information technology) with the Internal Auditor;
- reviewing the adequacy and effectiveness, independence and scope of the internal audit function including audit resources and its appropriate standing within the Group;
- reviewing investigations within the Group and ensuring appropriate follow-up actions, where required;
- meeting with E&Y and Internal Auditor, in each case, without presence of Management; and
- obtained quarterly update on the status of whistle-blowing.

## REPORT ON CORPORATE GOVERNANCE

### SHAREHOLDER RIGHTS AND ENGAGEMENT

#### PRINCIPLE 11 – SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

In line with the continuing disclosure obligations of the Company pursuant to the Listing Rules of the SGX-ST, the Board's policy is to facilitate the exercise of ownership rights by all shareholders, particularly shareholders would be informed promptly of all major developments that impact the Group or business which would likely materially affect the price or value of the Company's shares.

The AGM of the Company is the principal forum for dialogue and interaction with all shareholders. Shareholders are given the opportunity to participate at the AGM. Notice of AGM is dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 days before the meeting. There are separate resolutions at general meetings on each separate issue. Shareholders are informed of the rules and voting procedures at the AGM.

Under the existing Bye-laws of the Company, corporations which provide nominee or custodial services are allowed to appoint more than two proxies to attend and vote at the same general meeting. A registered shareholder of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.

The Company holds its AGM in Singapore. The Board welcomes shareholders to voice out their views and direct questions regarding the Group at the AGM. The members of the Board and the Board Committees, senior management and external auditor would be present at the AGM to answer questions from shareholders. As the present Bye-Laws of the Company do not have a provision to allow shareholders to vote in absentia, via methods such as e-mail, fax, etc., and the legal and regulatory environment is not entirely conducive for voting in absentia, the Company does not allow a shareholder to vote in absentia at general meetings. The introduction of absentia voting methods will be deferred until an appropriate time.

The Board may from time to time review the provisions of the existing Bye-laws of the Company to ensure they are in line with the good corporate governance practices as recommended by the 2018 Code. If the Board deems fit, it may propose any necessary amendment to the same to the shareholders for approval.

Due to the COVID-19 restriction orders in Singapore, the Company held the Special General Meeting ("**SGM**") on 29 June 2020 pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements were arranged such as attendance at the SGM by way of electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the SGM, addressing of substantial and relevant questions at the SGM and voting by appointing the Chairman of the Meeting as proxy at the SGM. Minutes of the SGM was published in the SGXNET.

In view of the current COVID-19 and restrictions orders in Singapore, the forthcoming AGM to be held on 23 October 2020 will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Please refer to the Notice of AGM of the Annual Report.

## REPORT ON CORPORATE GOVERNANCE

Minutes of general meetings include substantial and relevant queries or comments from shareholders discussed in the AGM relating to the agenda of the meeting and responses from the Board and Management. These minutes are published in the Company's website since 2019.

The Company puts all resolutions to vote by poll at the AGM and releases an announcement on the detailed results of voting.

In its consideration for dividend payment, the Company takes into account, among other factors, current cash position, future cash needs, profitability, retained earnings and business outlook. The Company takes the view that, committing to a fixed dividend policy, may jeopardize its financial position in times of adverse changes in market conditions. Hence it does not have a fixed dividend policy. Nevertheless, it has been making dividend payments each and every year since its public listing in 2005. For FY2020, in addition to the already paid HK3.9 cents per share interim dividend (tax not applicable), the Company is recommending a final dividend of HK4.6 cents per share (tax not applicable), subject to approval by shareholders at the Annual General Meeting.

### PRINCIPLE 12 – ENGAGEMENT WITH SHAREHOLDERS

The Board provides shareholders with half yearly and annual financial results. In presenting the financial results, the Board aims to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects on a half-yearly basis. Such responsibility is extended to the other price-sensitive public reports and reports to regulators (if required). The Board takes adequate steps to ensure compliance with legislative and regulatory requirements.

Information is communicated to shareholders on a timely basis, through annual reports that are issued to all shareholders within the mandatory period, half-yearly and full year results announcements, notice of the general meeting and explanatory memoranda for annual general meetings and special general meetings, press releases and disclosures to the SGX-ST. The Company also holds media and analyst briefings. The Company ensures that price sensitive information is publicly released and is announced on an immediate basis, where required, under the listing Manual of the SGX-ST. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have a fair access to the information.

The Board Terms of Reference addresses the investor relations and shareholder communication matters. The Company has appointed an Investor Relations ("IR") firm in Singapore to handle all its investor relations affairs, including but not limited to establish and maintain regular dialogue with shareholders. The IR prepared press releases relating to the Company's products and business and it was released to the SGX-ST on a timely manner. Details of the IR firm are disclosed in the Corporate Information page of the Annual Report.

The Company always updates its corporate website in English with an investor relations section at [www.karingroup.com](http://www.karingroup.com) through which shareholders will be able to access information of the Group. The website provides a business profile, corporate announcements, press releases, annual reports and other information of the Group.

## REPORT ON CORPORATE GOVERNANCE

### MANAGING STAKEHOLDERS RELATIONSHIPS

#### PRINCIPLE 13 – ENGAGEMENT WITH STAKEHOLDERS

The Company engages its stakeholders through different channels to establish, address and monitor the material environmental, social and governance (ESG) factors of the Company's operation and its impact on the various stakeholders.

The Company engages stakeholders with through the various channels that are already in place, to better understand its stakeholders' concerns, and address any issues that they may face. Engagement channels and frequencies are reviewed periodically to ensure that they are sufficient to deal with current identified stakeholders' ESG-related issues.

The Company is committed to enhance and improve the current engagement initiatives, while staying abreast of new trends or developments that may affect the sustainability standing of the Company, and eventually devise corresponding measures to resolve the new ESG issues. For more information on the Company's approach to stakeholder engagement and materiality assessment, please refer to the Company's Sustainability Report which will be available before or by 30 November 2020.

### DEALINGS IN SECURITIES

The Directors of the Company have devised and adopted its own internal compliance code on Securities Transactions by Officers to govern the dealings in securities by the Company, the Directors and Officers of the Company and the Group, which is guided by the requirements of Rule 1207(19) of the Listing Manual of the SGX-ST.

In line with the internal compliance code, the Company issues circulars to its Directors, Officers and employees of the Group to ensure that there must be no dealings in the Company's listed securities by the Company, its Directors, Officers and employees on short term considerations or one month before release of the half-yearly and full year financial results, and if they are in possession of any unpublished material price-sensitive information. All Directors are also required to file with the Company reports on all their dealings in the listed securities of the Company on a timely basis.

### MATERIAL CONTRACTS

There are no material contracts of the Company or its subsidiaries involving the interest of the Executive Chairman and CEO or any other Directors or controlling shareholders subsisting at the end of the financial year.

## REPORT ON CORPORATE GOVERNANCE

### INTERESTED PERSON TRANSACTIONS

All interested person transactions are documented and reported in a timely manner to the ARMC to ensure the transactions are conducted on an arm's length basis and are not prejudicial to the interest of the shareholders.

The Company does not have an Interested Person Transactions mandate.

The transaction with an interested person for transactions entered into for the financial year ended 30 June 2020 is as follow:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
JP Software Inc* – Provision of IT programming services	HK\$1,335,343 (equivalent to S\$242,748)	NIL

\* JP Software Inc. is 100% owned by the wife of Mr. Ng Kam Wing, Allan. Mr. Ng Kam Wing, Allan is a brother of Mr. Ng Yuk Wing, Philip (controlling shareholder) and Mr. Ng Kin Wing, Raymond (Executive Chairman and CEO and controlling shareholder) and also uncle of Mr. Ng Mun Kit, Michael (Executive Director and controlling shareholder).

Apart from the above, there were no other interested person transaction during the financial year.

### RISK MANAGEMENT

The Company regularly reviews and improves its business on operational level by taking into account the risk management perspective. The Company seeks to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the ARMC.

### WHISTLE-BLOWING POLICY AND PROCEDURES

The Group has established a whistle-blowing policy and appropriate procedures have been developed to provide a proper process within the Group for reporting malpractices, illegal acts or acts of omission that employees may encounter at work. No reporting for any of such incidents happened during the financial year ended 30 June 2020. Whistle-blowing policy both in English and Chinese are made available to all stakeholders of the Company through publishing it on the Group's corporate website.

### SUSTAINABILITY REPORT

The Group recognises that sustainability is increasingly important for business. We focus on economic, environmental and social areas to underpin our sustainability strategy. We are committed to managing the relevant sustainability risks and opportunities across the portfolio to ensure the long-term well-being of our business while contributing positively to the environment and community.

Currently, the Group is in the process of preparing its 2020 Sustainability Report and compiling the relevant ESG factors, with the support of an external consultant. Within this report, the Group will disclose the environmental, social and governance factors that are most relevant, how these will be measured, monitored and managed and the targets for the forthcoming year. The Group looks forward to share this report on the website of SGX-ST.

# Financial Contents

<b>REPORT OF THE DIRECTORS</b>	<b>46</b>
<b>STATEMENT BY DIRECTORS</b>	<b>50</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>51</b>
<b>AUDITED FINANCIAL STATEMENTS</b>	
<b>Consolidated:</b>	
<b>Statement of profit or loss and other comprehensive income</b>	<b>56</b>
<b>Statement of financial position</b>	<b>57</b>
<b>Statement of changes in equity</b>	<b>59</b>
<b>Statement of cash flows</b>	<b>61</b>
<b>Company:</b>	
<b>Statement of financial position</b>	<b>63</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>64</b>

## REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Karin Technology Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) for the year ended 30 June 2020.

### DIRECTORS

The directors of the Company in office during the year and up to the date of this report were:

#### EXECUTIVE DIRECTORS:

Mr. Ng Kin Wing, Raymond – Executive Chairman and Chief Executive Officer

Mr. Ng Mun Kit, Michael – Executive Director

Mr. Lee Yiu Chung, Eugene – Chief Operating Officer (Resigned on 1 July 2020)

#### INDEPENDENT DIRECTORS:

Prof. Ng Tung Sang

Mr. Lim Yew Kong, John

Mr. Lawrence Kwan

In accordance with the bye-laws of the Company, Mr. Lawrence Kwan and Prof. Ng Tung Sang (“**Prof Ng**”) are due for retirement at the forthcoming annual general meeting (“**AGM**”). Mr. Lawrence Kwan had offered himself for re-election at the forthcoming AGM. Prof. Ng had indicated his intention of not seeking re-election as a director of the Company at the forthcoming AGM.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

### RESULTS AND DIVIDENDS

Details of the results of the Group for the year ended 30 June 2020 and the financial position of the Company and of the Group at that date are set out in the financial statements on pages 56 to 135.

An interim dividend of HK3.9 cents per ordinary share with a total amount of approximately HK\$8,376,000 was paid on 20 March 2020. The directors of the Company proposed a final dividend for the year ended 30 June 2020 of HK4.6 cents per ordinary share with a total amount of approximately HK\$9,878,000. This recommendation is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

### ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except for the share options as described in this report, neither at the end of nor at any time during the year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.



## REPORT OF THE DIRECTORS (continued)

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of directors' shareholdings, the following directors, who held office at the end of the financial year, had an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of director	Direct interest		Deemed interest	
	At the beginning of the financial year	At the end of the financial year	At the beginning of the financial year	At the end of the financial year
<b>Ordinary shares of the Company</b> (ordinary shares of HK\$0.10 each)				
Mr. Ng Kin Wing, Raymond	–	–	70,639,950	70,639,950
Mr. Ng Mun Kit, Michael	–	–	70,639,950	70,639,950
Mr. Lee Yiu Chung, Eugene (*) (Resigned on 1 July 2020)	–	–	5,995,000	5,995,000
Prof. Ng Tung Sang (*)	–	–	100,000	100,000
Mr. Lim Yew Kong, John	100,000	100,000	–	–
	100,000	100,000	147,374,900	147,374,900

(\*): Prof. Ng Tung Sang and Mr. Lee Yiu Chung, Eugene respectively are deemed interested in the shares held by DBS Bank (Hong Kong) Limited.

Mr. Ng Kin Wing, Raymond and Mr. Ng Mun Kit, Michael, who by virtue of their interests of not less than 20% of the issued capital of the Company, are deemed to have interests in the shares of the subsidiaries of the Company.

There was no change in any of the aforementioned interests between the end of the financial year and 21 July 2020, being 21 days from the end of the financial year.

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

### DIRECTORS' CONTRACTUAL BENEFITS

Except for the directors' remuneration as disclosed in the consolidated financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company, a related corporation with the director, a firm of which the director is a member, or a company in which the director has a substantial financial interest.

## REPORT OF THE DIRECTORS (continued)

### SHARE OPTIONS

The 2005 Karin Employee Share Option Scheme (the “**2005 ESOS**”) for employees of the Group including executives and independent directors was adopted on 20 January 2005. Since the adoption of the 2005 ESOS, a total of 12,860,000 share options were granted to the directors and employees of the Group, a total of 12,760,000 share options were exercised and a total of 100,000 share options were lapsed due to the resignation of an employee before exercising the share options.

The committee administering the 2005 ESOS comprises three independent directors, namely Prof. Ng Tung Sang, Mr. Lim Yew Kong, John and Mr. Lawrence Kwan.

As at 30 June 2020, there was no outstanding share option held by any directors holding office or employees who received 5% or more of the total number of options granted pursuant to the Scheme.

During the year under review, no share option was granted pursuant to the 2005 ESOS and no share option was exercised. Further details of the 2005 ESOS are set out in note 29 to the financial statements.

Pursuant to a resolution passed at the annual general meeting held on 9 October 2014, the 2005 ESOS was cancelled and the 2014 Karin Employee Share Option Scheme (the “**2014 ESOS**”) has been adopted. Since the adoption of the 2014 ESOS and during the year under review, no share option was granted pursuant to the 2014 ESOS and no share option was exercised. Further details of the 2014 ESOS are set out in note 29 to the financial statements.

### KARIN PERFORMANCE SHARE PLAN

The Karin Performance Share Plan (the “**Plan**”) was adopted on 21 October 2010.

The committee administering the Plan is the Remuneration Committee which comprises the three independent directors, namely Prof. Ng Tung Sang, Mr. Lim Yew Kong, John and Mr. Lawrence Kwan.

During the current financial year and the prior financial year, no treasury share was awarded to employees of the Group.

As at 30 June 2020, save for the above, no shares have been awarded pursuant to the Plan and in particular, no shares were awarded pursuant to the Plan to:

- (i) any directors of the Company;
- (ii) any controlling shareholders and their associates; and
- (iii) any employees of the Group which results in them receiving 5% or more of the total number of shares available under the Plan.

Since the commencement of the Plan, an aggregate of 6,935,000 shares have been awarded to employees of the Group.

The Plan has a maximum duration of ten years and will expire on 21 October 2020. Given the impending expiring of the Plan, the Company is proposing to renew the Plan at the forthcoming AGM for shareholders’ approval. Please refer to the Appendix to the Annual Report.

## REPORT OF THE DIRECTORS (continued)

### AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee comprises three members, all being independent directors. The current composition is as follows:

Mr. Lim Yew Kong, John (Chairman)

Prof. Ng Tung Sang

Mr. Lawrence Kwan

The Audit and Risk Management Committee performs the functions specified in the Listing Manual and the Best Practice Guide of the Singapore Exchange Securities Trading Limited, and the Code of Corporate Governance 2018. The functions performed are detailed in the Report on Corporate Governance on pages 22 to 44 of the Annual Report.

The Audit and Risk Management Committee has nominated Ernst & Young, Certified Public Accountants, Hong Kong for re-appointment as auditors of the Company at the forthcoming annual general meeting. The Audit and Risk Management Committee has conducted an annual review of the non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before confirming their re-nomination.

### AUDITORS

The auditors, Ernst & Young, Certified Public Accountants, Hong Kong, have expressed their willingness to accept the re-appointment.

On behalf of the board of directors:

---

**Ng Kin Wing, Raymond**

*Executive Chairman and CEO*

---

**Ng Mun Kit, Michael**

*Executive Director*

28 September 2020

## STATEMENT BY DIRECTORS

We, Ng Kin Wing, Raymond and Mr. Ng Mun Kit, Michael, being two of the directors of Karin Technology Holdings Limited, do hereby state that, in the opinion of the directors,

- (i) the accompanying consolidated and company statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows together with notes thereto as set out on pages 56 to 135 are drawn up so as to present fairly, in all material respects, the financial position of the Company and of the Group as at 30 June 2020 and of the results of the business, changes in equity and cash flows of the Group for the year then ended, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors:

---

**Ng Kin Wing, Raymond**  
*Executive Chairman and CEO*

---

**Ng Mun Kit, Michael**  
*Executive Director*

28 September 2020

## INDEPENDENT AUDITOR'S REPORT



### To the shareholders of Karin Technology Holdings Limited

(Incorporated in Bermuda with limited liability)

### OPINION

We have audited the consolidated financial statements of Karin Technology Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 56 to 135, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”).

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“**ISAs**”) issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the “**Code**”) issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

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

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

## INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment assessment of trade receivables</b></p> <p>As at 30 June 2020, the Group had trade receivables of HK\$326,938,000, which represented 37% of the total assets of the Group.</p> <p>Significant management judgements and estimations are required in assessing the expected credit losses (“ECL”) for the trade receivables, with reference to the ageing profile of the trade receivables, historical credit loss experience and both the current and forecast general economic conditions at the reporting date.</p> <p>The related disclosures are included in notes 3 and 19 to the consolidated financial statements.</p>	<p>In evaluating management’s impairment assessment, our procedures included: (i) obtaining evidence of subsequent settlements for trade receivable balances on a sample basis; (ii) evaluating management’s assumptions used to determine the ECL through testing of the underlying information in the ageing reports and assessing the historical credit loss experience of the debtors as well as the forward-looking factors with reference to the related publicly available information; and (iii) assessing the adequacy of the Group’s disclosures in relation to trade receivables included in the financial statements.</p>
<p><b>Provision for obsolete and slow-moving inventories</b></p> <p>As at 30 June 2020, the Group recorded inventories of HK\$170,071,000 after provision against obsolete and slow-moving inventories, which accounted for 19% of the total assets of the Group.</p> <p>The provision against obsolete and slow-moving inventories is estimated based on the net realisable value of the inventories with reference to the rapid technological advancement and macroeconomic challenges.</p> <p>We focused on this area because significant judgements and estimations are required due to uncertainty about the impact of technological advancement, product life cycle, market conditions and future sales plans which require management to make judgement based on information available.</p> <p>The disclosures in relation to inventories and provision for obsolete and slow-moving inventories are included in note 3 to the consolidated financial statements.</p>	<p>We evaluated the Group’s forecasted future sales levels based on past experience, subsequent sales status and market-specific considerations.</p> <p>We considered the inventory provisioning estimation and how it was applied. We obtained an understanding of the analyses and assessments made by management with respect to slow moving and obsolete inventories and end-of-life products, including the specific identification of these inventories.</p> <p>We tested the accuracy of the stock ageing report. We also reviewed and tested the calculation of inventory provision with reference to stock ageing analysis and net realisable value of inventories by checking to subsequent sales after the year end.</p>

## INDEPENDENT AUDITOR'S REPORT (continued)

### OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors of the Company are assisted by the Audit and Risk Management Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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



## INDEPENDENT AUDITOR'S REPORT (continued)

We also provide the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chung Chi Ming.

### **Ernst & Young**

*Certified Public Accountants*

22/F, CITIC Tower

1 Tim Mei Avenue, Central

Hong Kong

28 September 2020

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2020

	Notes	2020 HK\$'000	2019 HK\$'000
REVENUE	5	<b>1,766,383</b>	1,800,564
Cost of sales		<b>(1,620,578)</b>	(1,620,818)
Gross profit		<b>145,805</b>	179,746
Other income and gains, net	5	<b>9,143</b>	7,067
Selling and distribution costs		<b>(66,268)</b>	(74,925)
Administrative expenses		<b>(62,574)</b>	(68,356)
Other expenses, net		<b>(16,061)</b>	(2,837)
Finance costs	7	<b>(3,099)</b>	(4,827)
Share of profit of an associate		<b>993</b>	956
PROFIT BEFORE TAX	6	<b>7,939</b>	36,824
Income tax expense	8	<b>(2,931)</b>	(4,510)
PROFIT FOR THE YEAR		<b>5,008</b>	32,314
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<b>(4,611)</b>	(11,818)
Share of other comprehensive loss of an associate		<b>(9)</b>	(99)
Item that will not be reclassified to profit or loss in subsequent periods:			
Surplus on revaluation upon transfer of property, plant and equipment to investment properties		<b>–</b>	28,814
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		<b>(4,620)</b>	16,897
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<b>388</b>	49,211
Profit for the year attributable to:			
Owners of the Company		<b>4,800</b>	32,304
Non-controlling interests		<b>208</b>	10
		<b>5,008</b>	32,314
Total comprehensive income/(loss) attributable to:			
Owners of the Company		<b>164</b>	49,319
Non-controlling interests		<b>224</b>	(108)
		<b>388</b>	49,211
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY (HK cents)			
Basic	10	<b>2.2</b>	15.0
Diluted		<b>2.2</b>	15.0

Details of dividends for the year are disclosed in note 9 to the financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 June 2020

	Notes	30 June 2020 HK\$'000	30 June 2019 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	102,741	87,853
Investment properties	12	42,123	88,808
Goodwill	14	2,098	2,098
Investments in associates	16	3,413	2,800
Deferred tax assets	27	7,923	5,289
Right-of-use assets	13	1,215	–
Prepayments and other assets	21	8,809	1,639
Total non-current assets		168,322	188,487
<b>CURRENT ASSETS</b>			
Inventories	18	170,071	176,096
Trade and bills receivables	19	339,893	401,852
Prepayments, other receivables and other assets	21	128,745	123,219
Financial asset at fair value through profit or loss	17	1,171	1,017
Financial assets at fair value through other comprehensive income	20	–	950
Tax recoverable		–	1,460
Derivative financial instrument	22	145	–
Cash and cash equivalents	23	86,711	73,227
Total current assets		726,736	777,821
<b>CURRENT LIABILITIES</b>			
Trade payables	24	199,654	209,945
Other payables and accruals	24	164,511	169,454
Tax payable		8,587	4,166
Derivative financial instrument	22	–	68
Interest-bearing bank and other borrowings	25	85,276	126,175
Lease liabilities	13	948	–
Total current liabilities		458,976	509,808
NET CURRENT ASSETS		267,760	268,013
TOTAL ASSETS LESS CURRENT LIABILITIES		436,082	456,500
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	27	2,236	2,441
Other payables	24	6,346	1,728
Other borrowings	25	264	357
Total non-current liabilities		8,846	4,526
Net assets		427,236	451,974

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

30 June 2020

	<i>Notes</i>	<b>30 June 2020 HK\$'000</b>	30 June 2019 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	28	<b>21,476</b>	21,476
Treasury shares	28	<b>(19)</b>	(19)
Reserves	30	<b>406,243</b>	431,205
		<b>427,700</b>	452,662
<b>Non-controlling interests</b>		<b>(464)</b>	(688)
Total equity		<b>427,236</b>	451,974

---

**Ng Kin Wing, Raymond**  
*Executive Chairman and CEO*

---

**Ng Mun Kit, Michael**  
*Executive Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2020

	Attributable to owners of the Company												Total equity HK\$'000											
	Note	Issued capital HK\$'000 (Note 28 (i))	Treasury shares HK\$'000 (Note 28 (iii))	Share premium account HK\$'000 (Note 28 (i))	Contributed surplus HK\$'000 (Note 30 (a)(i))	Share option reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	General reserve HK\$'000 (Note 30 (a)(ii))	Other reserve HK\$'000 (Note 30 (a)(iii))	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Non- controlling interests HK\$'000		Total										
															HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2018, as previously reported		21,461	(19)	45,760	898	59	28,996	2,895	(890)	9,982	330,122	439,264	(1,247)	438,017										
Effect of adoption of IFRS 9		-	-	-	-	-	-	-	-	-	1,783	1,783	667	2,450										
At 1 July 2018, as restated		21,461	(19)	45,760	898	59	28,996	2,895	(890)	9,982	331,905	441,047	(580)	440,467										
Profit for the year		-	-	-	-	-	-	-	-	-	32,304	32,304	10	32,314										
Other comprehensive income/(loss) for the year:																								
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	(11,700)	-	(11,700)	(118)	(11,818)										
Share of other comprehensive loss of an associate		-	-	-	-	-	-	-	-	(99)	-	(99)	-	(99)										
Surplus on revaluation upon transfer of property, plant and equipment to investment properties		-	-	-	-	-	28,814	-	-	-	-	28,814	-	28,814										
Total comprehensive income/(loss) for the year		-	-	-	-	-	28,814	-	-	(11,799)	32,304	49,319	(108)	49,211										
Issue of shares under the share option scheme		15	-	125	-	(49)	-	-	-	-	-	91	-	91										
Transfer of share option reserve upon the forfeiture of share options		-	-	-	-	(10)	-	-	-	-	10	-	-	-										
Final 2018 dividend paid		-	-	-	-	-	-	-	-	-	(25,340)	(25,340)	-	(25,340)										
Interim 2019 dividend paid	9	-	-	-	-	-	-	-	-	-	(12,455)	(12,455)	-	(12,455)										
Transfer between reserves of a subsidiary		-	-	-	-	-	-	188	-	-	(188)	-	-	-										
At 30 June 2019		21,476	(19)	45,885*	898*	-*	57,810*	3,083*	(890)*	(1,817)*	326,236*	452,662	(688)	451,974										

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 30 June 2020

	Attributable to owners of the Company												
	Note	Issued capital HK\$'000 (Note 28 (i))	Treasury shares HK\$'000 (Note 28 (ii))	Share		Land and buildings	General reserve HK\$'000 (Note 30 (a)(iii))	Other reserve HK\$'000 (Note 30 (a)(iii))	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000	
				premium account HK\$'000 (Note 28 (i))	Contributed surplus HK\$'000 (Note 30 (a)(i))	revaluation reserve HK\$'000							Total
At 1 July 2019		21,476	(19)	45,885	898	57,810	3,083	(890)	(1,817)	326,236	452,662	(688)	451,974
Profit for the year		-	-	-	-	-	-	-	-	4,800	4,800	208	5,008
Other comprehensive income/(loss) for the year:													
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(4,627)	-	(4,627)	16	(4,611)
Share of other comprehensive loss of an associate		-	-	-	-	-	-	-	(9)	-	(9)	-	(9)
Total comprehensive income/(loss) for the year		-	-	-	-	-	-	-	(4,636)	4,800	164	224	388
Final 2019 dividend paid	9	-	-	-	-	-	-	-	-	(16,750)	(16,750)	-	(16,750)
Interim 2020 dividend paid	9	-	-	-	-	-	-	-	-	(8,376)	(8,376)	-	(8,376)
Transfer between reserves of a subsidiary		-	-	-	-	-	258	-	-	(258)	-	-	-
At 30 June 2020		21,476	(19)	45,885*	898*	57,810*	3,341*	(890)*	(6,453)*	305,652*	427,700	(464)	427,236

\* These reserve accounts comprise the consolidated reserves of HK\$406,243,000 (2019: HK\$431,205,000) in the consolidated statement of financial position.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year ended 30 June 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>7,939</b>	36,824
Adjustments for:			
Bank interest income	5	<b>(618)</b>	(730)
Fair value losses on investment properties	6	<b>6,622</b>	1,953
(Reversal of write-down)/write-down of inventories to net realisable value and write-off of obsolete inventories	6	<b>(3,235)</b>	4,286
Depreciation of property, plant and equipment	6	<b>10,149</b>	12,060
Depreciation of right-of-use assets	6	<b>1,501</b>	–
Fair value (gain)/loss on derivative financial instrument	6	<b>(213)</b>	68
Fair value gain on financial asset at fair value through profit or loss	6	<b>(154)</b>	(281)
Impairment of trade receivables, net	6	<b>3,964</b>	807
Loss on disposal of an associate	6	<b>4,400</b>	–
Loss/(gain) on disposal of items of property, plant and equipment	6	<b>26</b>	(182)
Gain on rent concession	5	<b>(92)</b>	–
Finance costs	7	<b>3,099</b>	4,827
Share of profit of an associate	16	<b>(993)</b>	(956)
		<b>32,395</b>	58,676
Decrease in inventories		<b>9,630</b>	8,380
Decrease in trade and bills receivables		<b>56,346</b>	30,176
Decrease in factored trade receivables		–	2,979
Decrease in financial assets at fair value through other comprehensive income		<b>950</b>	–
Increase in prepayments, other receivables and other assets		<b>(20,301)</b>	(81,672)
Decrease in trade payables		<b>(9,753)</b>	(21,010)
Increase in other payables and accruals		<b>627</b>	89,990
Cash generated from operations		<b>69,894</b>	87,519
Interest paid	7	<b>(3,099)</b>	(4,814)
Interest element on finance lease rental payments	7	–	(13)
Income tax refunded/(paid)		<b>325</b>	(9,822)
<b>Net cash flows from operating activities</b>		<b>67,120</b>	72,870

**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

Year ended 30 June 2020

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		<b>(1,856)</b>	(1,409)
Proceeds from disposal of an associate		<b>2,500</b>	–
Proceeds from sales of investment properties		<b>13,161</b>	–
Proceeds from disposal of financial assets at fair value through profit or loss		–	215
Dividend from an associate		<b>334</b>	166
Interest received		<b>618</b>	730
<b>Net cash flows from/(used in) investing activities</b>		<b>14,757</b>	(298)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		–	91
New bank and other borrowings		<b>626,499</b>	376,055
Repayment of bank and other borrowings		<b>(667,335)</b>	(389,855)
Principal portion of lease payments/finance lease rental payments		<b>(1,319)</b>	(172)
Dividends paid to owners of the Company		<b>(25,126)</b>	(37,795)
<b>Net cash flows used in financing activities</b>		<b>(67,281)</b>	(51,676)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>14,596</b>	20,896
Cash and cash equivalents at beginning of financial year		<b>73,227</b>	54,211
Effect of foreign exchange rate changes, net		<b>(1,112)</b>	(1,880)
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>		<b>86,711</b>	73,227
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	23	<b>86,711</b>	73,227



**STATEMENT OF FINANCIAL POSITION**

30 June 2020

	<i>Notes</i>	<b>2020</b> HK\$'000	2019 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	15	<b>76,308</b>	76,308
<b>CURRENT ASSETS</b>			
Prepayments		<b>47</b>	–
Amounts due from subsidiaries	15(b)	<b>50,867</b>	50,257
Tax recoverable		–	15
Cash and cash equivalents	23	<b>230</b>	627
Total current assets		<b>51,144</b>	50,899
<b>CURRENT LIABILITIES</b>			
Amount due to a subsidiary	15(b)	<b>2,283</b>	1,010
Accruals	24	<b>2,091</b>	3,465
Total current liabilities		<b>4,374</b>	4,475
NET CURRENT ASSETS		<b>46,770</b>	46,424
Net assets		<b>123,078</b>	122,732
<b>EQUITY</b>			
Issued capital	28	<b>21,476</b>	21,476
Treasury shares	28	<b>(19)</b>	(19)
Reserves	30(b)	<b>101,621</b>	101,275
Total equity		<b>123,078</b>	122,732

**Ng Kin Wing, Raymond**  
*Executive Chairman and CEO*

**Ng Mun Kit, Michael**  
*Executive Director*

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 1. CORPORATE INFORMATION

Karin Technology Holdings Limited (the “**Company**”) is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The principal place of business of the Company is located at 2nd Floor, Karin Building, 166 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the “**Group**”) were involved in the following principal activities:

- (i) the distribution of electronic components (“**Components Distribution**”);
- (ii) the provision of computer data storage management solutions and services (“**IT Infrastructure**”); and
- (iii) the distribution and retailing of consumer electronics products (“**Consumer Electronics Products**”).

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. They have been prepared on a historical cost basis, except for investment properties, financial asset at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instrument which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

#### BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 June 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time in the preparation of the Group's consolidated financial statements for the financial year ended 30 June 2020:

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9, IAS 19 and IAS 28 and *Annual Improvements 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

- (i) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 July 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 July 2019, and the comparative information for the prior year was not restated and continued to be reported under IAS 17 and related interpretations.

#### NEW DEFINITION OF A LEASE

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(i) (continued)

#### AS A LESSEE – LEASES PREVIOUSLY CLASSIFIED AS OPERATING LEASES

##### *Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for certain properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 July 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

##### *Impact on transition*

Lease liabilities at 1 July 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019 and separately presented in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 July 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease asset recognised previously under a finance lease of HK\$445,000 that was reclassified from property, plant and equipment.

For the buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 July 2019. They continue to be measured at fair value applying IAS 40.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 July 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 July 2019

#### AS A LESSEE – LEASE PREVIOUSLY CLASSIFIED AS A FINANCE LEASE

The Group did not change the initial carrying amounts of the recognised asset and liability at the date of initial application for a lease previously classified as a finance lease.

Accordingly, the carrying amounts of the right-of-use asset and the lease liability at 1 July 2019 were the carrying amounts of the recognised asset and liability (i.e., finance lease payable) measured under IAS 17.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(i) (continued)

#### FINANCIAL IMPACTS AT 1 JULY 2019

The impacts arising from the adoption of IFRS 16 as at 1 July 2019 are as follows:

	Increase/ (decrease) HK\$'000
<b>Assets</b>	
Increase in right-of-use assets	2,716
Decrease in property, plant and equipment	(445)
Increase in total assets	2,271
<b>Liabilities</b>	
Increase in lease liabilities	2,271

The lease liabilities as at 1 July 2019 reconciled to the operating lease commitments as at 30 June 2019 are as follows:

	HK\$'000
Operating lease commitments as at 30 June 2019	3,141
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 30 June 2020	(799)
Weighted average incremental borrowing rate as at 1 July 2019	3.49%
Discounted operating lease commitments as at 1 July 2019	2,271
Add: Finance lease liabilities recognised as at 30 June 2019	445
Lease liabilities as at 1 July 2019	2,716

- (ii) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the year ended 30 June 2020, certain monthly lease payments for the leases of the Group's retail stores have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$92,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 30 June 2020.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (iii) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as “**uncertain tax positions**”). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. The Group determined that the interpretation did not have any impact on the financial position or performance of the Group.

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i> <sup>1</sup>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> <sup>3</sup>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i> <sup>1</sup>
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>5</sup>
Amendments to IFRS 4	<i>Extension of the Temporary Exemption from Applying IFRS 9</i> <sup>4</sup>
Amendments to IFRS 17	<i>Insurance Contracts</i> <sup>4</sup>
IFRS 17	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> <sup>1</sup>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>4</sup>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> <sup>3</sup>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> <sup>3</sup>
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, IAS 41 and Illustrative Examples accompanying IFRS 16</i> <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>5</sup> No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 July 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 July 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 July 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### INVESTMENTS IN ASSOCIATES

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates are included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the associates is included as part of the Group's investments in associates.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### INVESTMENTS IN ASSOCIATES (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

#### BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group and liabilities assumed by the Group to the former owners of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 30 June. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.



## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### FAIR VALUE MEASUREMENT

The Group measures its investment properties, financial asset at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instrument at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, deferred tax assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

#### RELATED PARTIES

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group;

or

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### RELATED PARTIES (continued)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

#### PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Ownership interests in properties held for own use and buildings	Over the lease terms or 5%, whichever is shorter
Leasehold improvements	20%
Furniture and fixtures	20%
Office equipment	30%
Motor vehicles	25%

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

#### INVESTMENT PROPERTIES

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2019: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

#### LEASES (APPLICABLE FROM 1 JULY 2019)

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

##### *Group as a lessee*

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

##### (a) Right-of-use assets

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

Office premises	Over the lease terms or 5%, whichever is shorter
Other equipment	30%

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### LEASES (APPLICABLE FROM 1 JULY 2019) (continued)

##### *Group as a lessee (continued)*

(b) Lease liabilities

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

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

(c) Short-term leases and leases of low-value assets

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

##### *Group as a lessor*

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### LEASES (APPLICABLE BEFORE 1 JULY 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

#### INVESTMENTS AND OTHER FINANCIAL ASSETS

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

##### *Initial recognition and measurement (continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

##### *Financial assets at fair value through other comprehensive income (debt instruments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred assets is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### IMPAIRMENT OF FINANCIAL ASSETS

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

##### *General approach*

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.



## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### IMPAIRMENT OF FINANCIAL ASSETS (continued)

##### *General approach (continued)*

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost and debt investments at fair value through other comprehensive income are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

##### *Simplified approach*

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### FINANCIAL LIABILITIES

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings.

##### *Subsequent measurement*

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

##### *Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

#### DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### DERIVATIVE FINANCIAL INSTRUMENT

The Group uses derivative financial instrument, such as forward currency contracts, to manage its foreign currency risk. Such derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group's forward currency contracts do not qualify for hedge accounting and accordingly any gains or losses arising from changes in fair value are taken directly to profit or loss.

#### TREASURY SHARES

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

#### INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits that are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

#### PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sale of certain electronic products and the provision of services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### INCOME TAX (continued)

Deferred tax assets and liabilities are offset if and only if the Group has a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to the income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

#### REVENUE RECOGNITION

##### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

- (a) Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Some contracts for the sale of products provide customers with volume rebates. The volume rebates give rise to variable consideration.

##### Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

- (b) Revenue from the provision of warranty and support services is recognised at the point in time when the services are rendered, or recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

##### *Revenue from other sources*

Rental income is recognised on a time proportion basis over the lease terms.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### REVENUE RECOGNITION (continued)

##### *Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

#### CONTRACT ASSETS

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

#### CONTRACT LIABILITIES

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

#### CONTRACT COSTS

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

#### RIGHT-OF-RETURN ASSET

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods, and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to the expected level of returns, and any additional decreases in the value of the returned goods.

#### REFUND LIABILITIES

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer.

The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### EMPLOYEE BENEFITS

##### *Share-based payments*

(a) Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (i.e., "equity-settled transactions" under IFRS 2).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### EMPLOYEE BENEFITS (continued)

##### *Share-based payments (continued)*

(b) Employee performance share plan

The Group operates an employee performance share plan (the “**Performance Share Plan**”) for the purpose of motivating participants to optimise performance standards and efficiency and to maintain a high level of contribution to the Group. Employees and independent directors are eligible to participate in the plan. Eligible participants receive fully paid shares of the Company free of charge upon achieving a performance target, whereby employees render services as consideration for the equity instruments (i.e., “equity-settled transactions” under IFRS 2).

The remuneration committee of the board of directors will determine the grant of awards to participants at any time. A participant who is a member of the remuneration committee shall not be involved in deliberations in respect of awards issued from the Performance Share Plan.

The Group will record the expense only at the time the awards are granted and shares of the Company are issued to eligible participants. The amount charged to profit or loss for the grant of awards will be the same as the closing stock price of the Company on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) at the date of grant when the Group delivers treasury shares in fulfilment of the awards.

##### *Pension schemes*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ relevant income and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in defined contribution social security schemes operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the social security schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social security schemes.

#### BORROWING COSTS

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All borrowing costs are expensed in the period in which they are incurred.

#### DIVIDENDS

Interim dividends are proposed and declared, because the Company’s bye-laws grant the directors of the Company the authority to declare interim and special dividends. Consequently, interim and special dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends are recognised as a liability when they have been approved by the shareholders in a general meeting and declared. Proposed final dividends are disclosed in the notes to the financial statements.



## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### FOREIGN CURRENCIES

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with recognition of the gain or loss on change in fair value of the item (i.e., transaction difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas and Mainland China subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas and Mainland China subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

##### *Property lease classification – Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

##### *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

##### *Whether the presumption that investment properties stated at fair value are recovered through sale is rebutted in determining deferred tax*

Investment properties are properties held to earn rentals or for capital appreciation or both. The Group has investment properties located in Hong Kong, Singapore and Mainland China which are measured at fair value. In considering whether the presumption in IAS 12 *Income Taxes* that an investment property measured at fair value will be recovered through sale is rebutted in determining deferred tax, the Group has developed certain criteria in making that judgement, such as whether an investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time or through sale. The presumption is rebutted only in the circumstance that there is sufficient evidence such as historical transaction, future development plan and management's intention to demonstrate the investment property is held with the objective to consume substantially all of the economic benefits over time, rather than through sale. Based on the above assessment, the presumption for the investment properties located in Mainland China is rebutted. Continuous assessments on the presumption will be made by management at each reporting date.

##### *Deferred tax liabilities on unremitted earnings*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

#### JUDGEMENTS (continued)

##### *Deferred tax liabilities on unremitted earnings (continued)*

At 30 June 2020 and 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

At 30 June 2020, the deferred tax liabilities related to temporary differences associated with investments in subsidiaries in Mainland China which have not been recognised in the consolidated statement of financial position were approximately HK\$10,695,000 (2019: HK\$8,618,000), details of which are set out in note 27b to the financial statements.

#### ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

##### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2020 was HK\$2,098,000 (2019: HK\$2,098,000). Further details are given in note 14.

##### *Fair value of investment properties*

Investment properties are carried in the consolidated statement of financial position at their fair value. The fair value was based on a valuation on these properties conducted by independent professionally qualified valuers using property valuation techniques which incorporate inputs such as current prices in an active market for similar properties and involve making assumptions on certain market conditions existed at the end of the reporting period. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in profit or loss and the land and buildings revaluation reserve, respectively.

##### *Write-down of inventories to net realisable value and provision for obsolete and slow-moving inventories*

Management reviews the ageing analysis and condition of inventories of the Group at the end of each reporting period, the provision for obsolete and slow-moving inventories is estimated based on the net realisable value of the inventories with reference to the rapid technology advancement and macroeconomic challenges. Significant judgements and estimations are required due to uncertainty about the impact of technological advances, product life cycle, market conditions and future sales plans which require management to make judgement based on information available at the year end.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

#### ESTIMATION UNCERTAINTY (continued)

##### *Provision for expected credit losses on trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

##### *Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

##### *Financial assets at fair value through profit or loss*

The unlisted equity investment has been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. These valuations requires the Group to make estimates about expected future cash flows, credit risk and discount rates, and hence they are subject to uncertainty. The fair value of the unlisted equity investment at 30 June 2020 was HK\$1,171,000 (2019: HK\$1,017,000). Further details are included in note 17 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 4. OPERATING SEGMENT INFORMATION

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

- (a) the “Components Distribution” operating segment engages in the distribution and trading of electronic components and cables;
- (b) the “IT Infrastructure” operating segment engages in the provision of computer data storage management solutions and services; and
- (c) the “Consumer Electronics Products” operating segment engages in the distribution and retailing of consumer electronics products.

Management monitors the results of the Group’s reportable operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that bank interest income, other income, fair value changes on investment properties, financial asset at fair value through profit or loss and derivative financial instrument, finance costs, share of profit of an associate and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude investments in associates, deferred tax assets, cash and cash equivalents and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude income tax payable, interest-bearing bank and other borrowings, deferred tax liabilities and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 4. OPERATING SEGMENT INFORMATION (continued)

	Components Distribution HK\$'000	IT Infrastructure HK\$'000	Consumer Electronics Products HK\$'000	Total HK\$'000
<b>Year ended 30 June 2020</b>				
<b>Segment revenue (note 5)</b>	<b>632,059</b>	<b>922,035</b>	<b>212,289</b>	<b>1,766,383</b>
<b>Segment results</b>	<b>5,873</b>	<b>14,756</b>	<b>1,318</b>	<b>21,947</b>
<i>Reconciliation:</i>				
Bank interest income				618
Fair value losses on investment properties				(6,622)
Fair value gain on financial asset at fair value through profit or loss				154
Fair value gain on derivative financial instrument				213
Loss on disposal of an associate				(4,400)
Finance costs				(3,099)
Share of profit of an associate				993
Corporate and other unallocated expenses				(1,865)
Profit before tax				7,939
<b>Segment assets</b>	<b>305,040</b>	<b>400,102</b>	<b>30,325</b>	<b>735,467</b>
<i>Reconciliation:</i>				
Investment in an associate				3,413
Deferred tax assets				7,923
Cash and cash equivalents				86,711
Corporate and other unallocated assets				61,544
Total assets				895,058
<b>Segment liabilities</b>	<b>64,503</b>	<b>229,850</b>	<b>43,530</b>	<b>337,883</b>
<i>Reconciliation:</i>				
Income tax payable				8,587
Interest-bearing bank and other borrowings				85,540
Deferred tax liabilities				2,236
Corporate and other unallocated liabilities				33,576
Total liabilities				467,822
<b>Other segment information:</b>				
Depreciation				11,650
Other non-cash expenses, net	(1,195)	1,122	802	729
Capital expenditure				1,856

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 4. OPERATING SEGMENT INFORMATION (continued)

	Components Distribution HK\$'000	IT Infrastructure HK\$'000	Consumer Electronics Products HK\$'000	Total HK\$'000
<b>Year ended 30 June 2019</b>				
<b>Segment revenue (note 5)</b>	764,453	774,160	261,951	1,800,564
<b>Segment results</b>	8,012	24,995	10,245	43,252
<i>Reconciliation:</i>				
Bank interest income				730
Fair value losses on investment properties				(1,953)
Fair value gain on financial asset at fair value through profit or loss				281
Fair value loss on derivative financial instrument				(68)
Finance costs				(4,827)
Share of profit of an associate				956
Corporate and other unallocated expenses				(1,547)
Profit before tax				36,824
<b>Segment assets</b>	341,528	392,192	56,005	789,725
<i>Reconciliation:</i>				
Investments in associates				2,800
Deferred tax assets				5,289
Cash and cash equivalents				73,227
Corporate and other unallocated assets				95,267
Total assets				966,308
<b>Segment liabilities</b>	132,308	164,895	53,135	350,338
<i>Reconciliation:</i>				
Income tax payable				4,166
Interest-bearing bank and other borrowings				126,532
Deferred tax liabilities				2,441
Corporate and other unallocated liabilities				30,857
Total liabilities				514,334
<b>Other segment information:</b>				
Depreciation				12,060
Other non-cash expenses, net	4,586	396	111	5,093
Capital expenditure				1,890

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 4. OPERATING SEGMENT INFORMATION (continued)

## GEOGRAPHICAL INFORMATION

	Hong Kong HK\$'000	Mainland China HK\$'000	Others HK\$'000	Total HK\$'000
<b>Year ended 30 June 2020</b>				
<b>Segment revenue</b>	<b>1,154,350</b>	<b>455,246</b>	<b>156,787</b>	<b>1,766,383</b>
<b>Non-current assets</b>	<b>90,845</b>	<b>48,374</b>	<b>21,180</b>	<b>160,399</b>
<b>Year ended 30 June 2019</b>				
<b>Segment revenue</b>	1,130,141	530,534	139,889	1,800,564
<b>Non-current assets</b>	94,721	65,660	22,817	183,198

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

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

## INFORMATION ABOUT MAJOR CUSTOMERS

The Group does not have a single external customer from whom the revenue derived amounted to 10% or more of the Group's revenue during the year (2019: Nil).

## 5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2020 HK\$'000	2019 HK\$'000
<b>Revenue from contracts with customers</b>	<b>1,766,383</b>	1,800,564



## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

## REVENUE FROM CONTRACTS WITH CUSTOMERS

## (i) Disaggregated revenue information

	Component Distribution HK\$'000	IT Infrastructure HK\$'000	Consumer Electronics Products HK\$'000	Total HK\$'000
<b>For the year ended 30 June 2020</b>				
<b>Types of goods or services</b>				
Sales of goods	632,059	778,820	211,364	1,622,243
Provision of professional and warranty services	-	143,215	925	144,140
<b>Total revenue from contracts with customers</b>	<b>632,059</b>	<b>922,035</b>	<b>212,289</b>	<b>1,766,383</b>
<b>Geographical markets</b>				
Hong Kong	148,361	796,227	209,762	1,154,350
Mainland China	409,008	46,238	-	455,246
Others	74,690	79,570	2,527	156,787
<b>Total revenue from contracts with customers</b>	<b>632,059</b>	<b>922,035</b>	<b>212,289</b>	<b>1,766,383</b>
<b>Timing of revenue recognition</b>				
Goods and services transferred at a point in time	632,059	760,441	212,289	1,604,789
Services transferred over time	-	161,594	-	161,594
<b>Total revenue from contracts with customers</b>	<b>632,059</b>	<b>922,035</b>	<b>212,289</b>	<b>1,766,383</b>

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

## REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(i) *Disaggregated revenue information (continued)*

	Component Distribution HK\$'000	IT Infrastructure HK\$'000	Consumer Electronic Products HK\$'000	Total HK\$'000
--	---------------------------------------	----------------------------------	--	-------------------

**For the year ended 30 June 2019****Types of goods or services**

Sales of goods	764,453	620,024	261,774	1,646,251
Provision of professional and warranty services	–	154,136	177	154,313

Total revenue from contracts with customers	764,453	774,160	261,951	1,800,564
---	---------	---------	---------	-----------

**Geographical markets**

Hong Kong	204,339	668,565	257,237	1,130,141
Mainland China	490,937	39,597	–	530,534
Others	69,177	65,998	4,714	139,889

Total revenue from contracts with customers	764,453	774,160	261,951	1,800,564
---	---------	---------	---------	-----------

**Timing of revenue recognition**

Goods and services transferred at a point in time	764,453	658,720	261,951	1,685,124
Services transferred over time	–	115,440	–	115,440

Total revenue from contracts with customers	764,453	774,160	261,951	1,800,564
---	---------	---------	---------	-----------

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020 Total HK\$'000	2019 Total HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of goods	41,369	33,495
Provision of professional and warranty services	93,819	16,233
	135,188	49,728

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

## REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

## (ii) Performance obligations

Information about the Company's performance obligations is summarised below:

*Sale of goods*

The performance obligation is satisfied upon product delivery and payment is generally due within 30 to 60 days from delivery, where payment in advance is normally required.

*Provision of professional and warranty services*

The performance obligation is satisfied upon service delivery, or over time as services are rendered and payment is generally due within 30 to 60 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June are as follows:

	2020 HK\$'000	2019 HK\$'000
Amounts expected to be recognised as revenue:		
Within one year	127,209	133,460
After one year	6,346	1,728
	<b>133,555</b>	135,188

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised after one year relate to warranty services of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2020 HK\$'000	2019 HK\$'000
<b>Other income and gains, net</b>		
Bank interest income	618	730
Gross rental income	2,454	3,775
Fair value gain on financial asset at fair value through profit or loss and derivative financial instrument, net	367	213
Foreign exchange differences, net	–	113
Gain on disposal of items of property, plant and equipment	–	182
Government subsidies	3,390	–
Gain on rent concession	92	–
Others	2,222	2,054
	<b>9,143</b>	7,067

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 6. PROFIT BEFORE TAX

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

	Notes	Group	
		2020 HK\$'000	2019 HK\$'000
Cost of inventories sold		1,556,626	1,546,351
Cost of services provided		63,952	74,467
(Reversal of write-down)/write-down of inventories to net realisable value and write-off of obsolete inventories*		(3,235)	4,286
Depreciation of property, plant and equipment	11	10,149	12,060
Depreciation of right-of-use assets	13(a)	1,501	–
Fair value losses on investment properties	12	6,622	1,953
Fair value gain on financial asset at fair value through profit or loss		(154)	(281)
Fair value (gain)/loss on derivative financial instrument		(213)	68
Foreign exchange differences, net		693	(113)
Operating lease rentals in respect of land and buildings		–	3,641
Lease payments not included in the measurement of lease liabilities	13(c)	2,507	–
Auditors' remuneration:			
Audit fee paid to the auditor of the Company		1,670	1,620
Audit fee paid to other auditors		128	229
Non-audit fees paid to the auditors of the Company		373	223
Non-audit fees paid to other auditors		12	78
Employee benefit expense (excluding directors' remuneration (note 34(b))):			
Wages and salaries		87,337	93,187
Pension scheme contributions		6,403	7,665
		93,740	100,852
Impairment of trade receivables, net	19(b)	3,964	807
Loss/(gain) on disposal of items of property, plant and equipment		26	(182)
Loss on disposal of an associate#		4,400	–
Gain on rent concession		(92)	–

\* The amount is included in "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.

# The amount is included in "Other expenses, net" on the face of the consolidated statement of profit or loss and other comprehensive income.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 7. FINANCE COSTS

	Group	
	2020 HK\$'000	2019 HK\$'000
Interest on bank and other borrowings	3,020	4,814
Interest on lease liabilities	79	–
Interest on finance leases	–	13
	<b>3,099</b>	<b>4,827</b>

### 8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2019/2020. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Group	
	2020 HK\$'000	2019 HK\$'000
Current		
Charge for the year	5,271	7,396
Underprovision/(overprovision) in prior years	437	(307)
	<b>5,708</b>	<b>7,089</b>
Deferred ( <i>note 27</i> )	<b>(2,777)</b>	<b>(2,579)</b>
Total tax expense for the year	<b>2,931</b>	<b>4,510</b>

New Spirit Electronic Technology Development (Shenzhen) Company Limited, a wholly-owned subsidiary of the Group, is subject to a preferential tax rate of 15% (2019: 15%) as it was designated as a high technology enterprise for the years ended 30 June 2020 and 2019.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 8. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate of Hong Kong to the tax expense at the effective tax rate is as follows:

	Group	
	2020 HK\$'000	2019 HK\$'000
Profit before tax	7,939	36,824
Tax at the statutory rate of Hong Kong of 16.5% (2019: 16.5%)	1,310	6,076
Adjustments in respect of current tax of previous periods	437	(307)
Income not subject to tax	(1,008)	(493)
Expenses not deductible for tax	2,959	443
Tax losses utilised from previous periods	(1,973)	(327)
Tax losses not recognised	659	613
Profit attributable to an associate	(164)	(158)
Others	711	(1,337)
Tax expense at the Group's effective rate of 36.9% (2019: 12.2%)	2,931	4,510

The weighted average applicable tax rate was 36.9% (2019: 12.2%). The change in the weighted average applicable tax rate was caused by a change in the profitability of the certain subsidiaries of the Company in the respective jurisdictions.

## 9. DIVIDENDS

	Group	
	2020 HK\$'000	2019 HK\$'000
Interim dividend – HK\$0.039 (2019: HK\$0.058) per ordinary share	8,376	12,455
Proposed final dividend – HK\$0.046 (2019: HK\$0.078) per ordinary share	9,878	16,750
	18,254	29,205

The proposed final dividend for the year ended 30 June 2019 was approved by the Company's shareholders at the annual general meeting held during the current financial year on 24 October 2019.

The proposed final dividend for the current financial year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary shareholders of the Company of approximately HK\$4,800,000 (2019: HK\$32,304,000), and the weighted average of 214,748,000 (2019: 214,700,739) ordinary shares in issue during the year, which has taken into account the effect of treasury shares.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary shareholders of the Company of approximately HK\$4,800,000 (2019: HK\$32,304,000), as used in the basic earnings per share calculation, and 214,748,000 (2019: 214,732,235) ordinary shares, which was the weighted average of 214,748,000 (2019: 214,700,739) ordinary shares in issue during the year and the weighted average of Nil (2019: 31,496) ordinary shares deemed to have been issued at no consideration on the deemed exercise of all the outstanding share options during the year.

### 11. PROPERTY, PLANT AND EQUIPMENT

#### GROUP

	Ownership interests in properties held for own use and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>30 June 2020</b>						
At 1 July 2019 (restated):						
Cost	123,829	55,148	14,430	27,543	6,128	227,078
Accumulated depreciation	(46,527)	(50,071)	(13,706)	(24,334)	(5,032)	(139,670)
Net carrying amount	77,302	5,077	724	3,209	1,096	87,408
At 30 June 2019, net of accumulated depreciation	77,302	5,077	724	3,654	1,096	87,853
Effect of adoption of IFRS 16	-	-	-	(445)	-	(445)
At 1 July 2019 (restated)	77,302	5,077	724	3,209	1,096	87,408
Additions	-	358	321	1,177	-	1,856
Transfer from investment property (note 12)	25,800	-	-	-	-	25,800
Disposal	-	-	(26)	-	-	(26)
Depreciation provided during the year	(5,870)	(2,340)	(253)	(1,160)	(526)	(10,149)
Exchange realignment	(2,039)	(2)	(16)	(76)	(15)	(2,148)
At 30 June 2020, net of accumulated depreciation	95,193	3,093	750	3,150	555	102,741
At 30 June 2020:						
Cost	146,668	54,800	14,622	23,216	6,098	245,404
Accumulated depreciation	(51,475)	(51,707)	(13,872)	(20,066)	(5,543)	(142,663)
Net carrying amount	95,193	3,093	750	3,150	555	102,741

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 11. PROPERTY, PLANT AND EQUIPMENT (continued)

#### GROUP (continued)

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
30 June 2019						
At 1 July 2018:						
Cost	126,465	55,185	14,633	26,959	6,859	230,101
Accumulated depreciation	(41,470)	(46,389)	(13,381)	(23,337)	(5,066)	(129,643)
Net carrying amount	84,995	8,796	1,252	3,622	1,793	100,458
At 1 July 2018, net of accumulated depreciation	84,995	8,796	1,252	3,622	1,793	100,458
Additions	–	271	134	1,485	–	1,890
Transfer to investment property (note 12)	(586)	–	–	–	–	(586)
Disposal	–	–	(16)	–	(17)	(33)
Depreciation provided during the year	(5,434)	(3,986)	(619)	(1,363)	(658)	(12,060)
Exchange realignment	(1,673)	(4)	(27)	(90)	(22)	(1,816)
At 30 June 2019, net of accumulated depreciation	77,302	5,077	724	3,654	1,096	87,853
At 30 June 2019:						
Cost	123,829	55,148	14,430	28,024	6,128	227,559
Accumulated depreciation	(46,527)	(50,071)	(13,706)	(24,370)	(5,032)	(139,706)
Net carrying amount	77,302	5,077	724	3,654	1,096	87,853

The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of office equipment at 30 June 2019 was approximately HK\$445,000 (note 26).



## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 12. INVESTMENT PROPERTIES

	Notes	Group	
		2020 HK\$'000	2019 HK\$'000
Carrying amount at beginning of financial year		88,808	62,429
Transfer (to)/from owner-occupied property	11	(25,800)	586
Surplus on revaluation upon transfer of property, plant and equipment to investment property		–	28,814
Disposal		(13,161)	–
Net losses from fair value adjustments recognised in profit or loss	6	(6,622)	(1,953)
Exchange realignment		(1,102)	(1,068)
Carrying amount at end of financial year		42,123	88,808

Notes:

- (a) The Group's investment properties are commercial properties situated in Hong Kong and Mainland China, and an industrial property situated in Singapore. They are leased to third parties under operating leases, further summary details of which are included in note 13 to the financial statements.
- (b) The Group's investment properties were revalued on 30 June 2020 by BMI Appraisals Limited and Atlas 21 Realty PTE Ltd., independent professionally qualified valuers, using the direct comparison approach and income capitalisation method. Each year, the Group's senior management decide which external valuers to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, independence and whether professional standards are maintained. The Group's financial controller has ongoing discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed.

**Fair value hierarchy**

At 30 June 2020, fair value measurements of all of the Group's investment properties are using significant unobservable inputs (Level 3) as defined in IFRS 13. During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3 (2019: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties HK\$'000	Industrial property HK\$'000
Carrying amount at 1 July 2018	55,486	6,943
Net gains/(losses) from fair value adjustments recognised in profit or loss	400	(2,353)
Transfer from an owner-occupied property	29,400	–
Exchange realignment	(1,095)	27
Carrying amount at 30 June 2019 and 1 July 2019	84,191	4,617
Disposal	(13,161)	–
Net losses from fair value adjustments recognised in profit or loss	(6,622)	–
Transfer to an owner-occupied property	(25,800)	–
Exchange realignment	(933)	(169)
Carrying amount at 30 June 2020	37,675	4,448

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 12. INVESTMENT PROPERTIES (continued)

Notes: (continued)

(b) (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of the Group's investment properties:

Valuation techniques	Significant unobservable inputs	Input/range of input	
		2020	2019
<i>Commercial properties</i>			
<i>Property located in Hong Kong</i>			
Direct comparison method	Price per square feet (s.q.f)	<b>HK\$5,811 to HK\$7,836</b>	HK\$6,371 to HK\$7,394
<i>Properties located in Mainland China</i>			
Direct comparison method and income capitalisation method	(i) Capitalisation rate (%)	<b>3.0% to 3.5%</b>	3.0% to 3.5%
	(ii) Prevailing market rents	<b>RMB122 to RMB210 per s.q.m</b>	RMB117 to RMB210 per s.q.m
	(iii) Price per square metre (s.q.m)	<b>RMB23,200 to RMB28,800 per s.q.m</b>	RMB25,000 to RMB28,800 per s.q.m
<i>Industrial property</i>			
<i>Property located in Singapore</i>			
Direct comparison method	Price per square feet (s.q.f)	<b>S\$479 to S\$480 per s.q.f</b>	S\$479 to S\$480 per s.q.f

Under the direct comparison method, the Group assumes sale in the existing status with the benefit of vacant possession and refers to comparable sales evidence as available in the relevant market. Appropriate adjustments have then been made to account for the differences between the properties and the comparables in terms of age, time, location, floor level and other relevant factors.

The income capitalisation approach used in valuation of properties located in Mainland China was used to cross-check the valuation results from the direct comparison method. The income capitalisation approach is applied based on net rental income that can be generated from the properties under existing tenancies and the reversionary potential of the tenancies if they have been or would be let to tenants.

The aforementioned valuations have been made on the assumption that the Group sells the properties in the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

An increase (decrease) in the capitalisation rate in isolation would result in a decrease (increase) in the fair value of the investment properties, while an increase (decrease) in the annual rental income or sales price per square metre/feet in isolation would each result in an increase (decrease) in the fair value of the investment properties.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 13. LEASES

#### THE GROUP AS A LESSEE

The Group has lease contracts for various items of warehouses, office premises and other equipment used in its operations. Leases of office premises generally have lease terms between 2 and 3 years. Other equipment has lease term of 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. No lease contracts include extension and termination options and variable lease payments.

#### (a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office premises HK\$'000	Other equipment HK\$'000	Total HK\$'000
As at 1 July 2019	2,271	445	2,716
Depreciation charge	(1,357)	(144)	(1,501)
As at 30 June 2020	914	301	1,215

#### (b) *Lease liabilities*

The carrying amount of lease liabilities (included lease liabilities under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2020 Lease liabilities HK\$'000	2019 Finance lease payable HK\$'000
Carrying amount at 1 July	2,716	133
Additions	–	484
Accretion of interest recognised during the year	79	13
Remeasurement on rent concession	(92)	–
Payments	(1,398)	(185)
Carrying amount at 30 June	1,305	445
Analysed into:		
Current portion	1,041	88
Non-current portion	264	357

The maturity analysis of lease liabilities (2019: finance lease payable) is disclosed in note 36 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 13. LEASES (continued)

## THE GROUP AS A LESSEE (continued)

(c) *The amounts recognised in profit or loss in relation to leases are as follows:*

	2020 HK\$'000
Interest on lease liabilities	79
Depreciation charge of right-of-use assets	1,501
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 30 June 2020 (included in administrative expenses)	2,507
<b>Total amount recognised in profit or loss</b>	<b>4,087</b>

## THE GROUP AS A LESSOR

The Group leases its investment properties (note 12) consisting of one commercial property in Hong Kong, three commercial properties in Mainland China and one industrial property in Singapore under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK\$2,454,000 (2019: HK\$3,775,000), details of which are included in note 5 to the financial statements.

At 30 June 2020, the undiscounted minimum lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	625	723
After one year but within two years	14	193
	<b>639</b>	916

## 14. GOODWILL

	Group	
	2020 HK\$'000	2019 HK\$'000
At beginning and end of financial year:		
Cost	5,104	5,104
Accumulated impairment	(3,006)	(3,006)
<b>Net carrying amount</b>	<b>2,098</b>	2,098

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 14. GOODWILL (continued)

#### IMPAIRMENT ASSESSMENT

Goodwill acquired through business combinations has been allocated to the following cash-generating units, which are reportable operating segments, at the date of acquisition for impairment testing:

- Components Distribution
- IT Infrastructure

The recoverable amounts of these cash-generating units have been determined based on a value in use calculation using cash flow projections which are based on financial budgets approved by management covering a period of five years and cash flows for the following years are extrapolated based on an estimated average growth rate of 3% (2019: 3%) per annum. The discount rate applied to cash flow projections is 8% (2019: 8%).

At the beginning and end of the financial year, the carrying amounts of goodwill allocated to each of the cash-generating units were as follows:

	2020 HK\$'000	2019 HK\$'000
Components Distribution	1,901	1,901
IT Infrastructure	197	197
Total	2,098	2,098

Assumptions were used in the value in use calculation of the relevant cash-generating units for 30 June 2020 and 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- **Budgeted revenue**  
The basis used to determine the budgeted revenue is with reference to the expected growth rate of the market in which the assessed cash-generating unit operates.
- **Budgeted gross margins**  
The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements.
- **Business environment**  
There will be no major changes in the existing political, legal and economic conditions in Hong Kong, Mainland China and Singapore in which the assessed entities within the cash-generating units carry on their businesses.
- **Discount rate**  
The discount rate used is before tax and reflects specific risks relating to the relevant units.

After the assessment, no impairment of goodwill was recognised in profit or loss during the year (2019: Nil).

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 15. INVESTMENTS IN SUBSIDIARIES

	Notes	Company	
		2020 HK\$'000	2019 HK\$'000
Unlisted shares, at cost	(a)	73,931	73,931
Capital contribution in respect of employee share-based compensation		2,377	2,377
Investments in subsidiaries included in non-current assets		76,308	76,308
Amounts due from subsidiaries included in current assets	(b)	50,867	50,257

Notes:

(a) Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity indirectly attributable to the Company	Principal activities
Karin Electronic Supplies Company Limited	Hong Kong	Ordinary HK\$1,098,394	100	Distribution and trading of electronic components and provision of computer data storage management solutions and services
New Spirit Technology Limited	Hong Kong	Ordinary HK\$100	100	Provision of integrated circuit application design solutions
New Spirit Electronic Technology Development (Shenzhen) Company Limited*	PRC/Mainland China	Registered HK\$1,000,000	100	Provision of IC software application design solutions
Karin Electronic Trading (Shenzhen) Company Limited*	PRC/Mainland China	Registered HK\$2,000,000	100	Trading of electronic components, computer products and peripherals
Karin International Trading (Shanghai) Company Limited*	PRC/Mainland China	Registered US\$1,288,000	100	Trading of electronic components, computer products and peripherals
Kepto Solutions Limited	Hong Kong	Ordinary HK\$1,000,000	100	Provision of computer data storage management solutions and services
Sen Spirit Technology Limited	Hong Kong	Ordinary HK\$1,000,000	100	Distribution of computer products and peripherals

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 15. INVESTMENTS IN SUBSIDIARIES (continued)

Notes: (continued)

(a) Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity indirectly attributable to the Company	Principal activities
Compucon Computers Limited	Hong Kong	Ordinary HK\$100,000	100	Trading of electronics products and peripherals and provision of software products and solutions
Compusmart Limited	British Virgin Islands/Hong Kong	Ordinary US\$1	100	Property holding
Karga Solutions Limited	Hong Kong	Ordinary HK\$100,000	100	Provision of professional consulting services and software products, solutions and training
Karltec Information System (Shenzhen) Company Limited*	PRC/Mainland China	Registered HK\$7,000,000	75	Distribution of computer products and peripherals
I M I Kabel & Engineering Pte. Ltd.	Singapore	Ordinary S\$300,000	70	Distribution of industrial cables
Matrix Power Technology (Shenzhen) Co. Ltd*	PRC/Mainland China	Registered RMB9,400,000	70	Provision of power supply solution services
Karsing Pte. Limited	Singapore	Ordinary S\$10,000	100	Property holding and provision of computer data storage management solutions and services
KCF A Store Limited	Hong Kong	Ordinary HK\$2,500,000	80	Distribution of electronic products and accessories

\* The English names of the subsidiaries are direct translations of their registered Chinese names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

- (b) The balances with subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of the balances approximate to their fair values.
- (c) Management is of the opinion that the Group does not have any material non-wholly-owned subsidiary which requires additional disclosures in accordance with the requirements set out in IFRS 12.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 16. INVESTMENTS IN ASSOCIATES

	Notes	Group	
		2020 HK\$'000	2019 HK\$'000
Share of net assets	(a)	3,413	2,800

Notes:

(a) Particulars of an associate are as follows:

Name	Place of registration and operations	Nominal value of registered capital	Percentage of equity indirectly attributable to the Company	Principal activities
Shanghai Cosel International Trading Co., Ltd. ("SCIT")	PRC/Mainland China	US\$200,000	30	Trading of switch mode power supplies and provision of consulting services

The Group's voting power held and profit sharing arrangement in relation to SCIT is 30% (2019: 30%). SCIT is not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(b) As at 30 June 2020, the Group has disposed of its 20% equity interest in MasterKloud Technology Limited ("**MasterKloud**") at a cash consideration of HK\$2,500,000. The disposal was properly completed and resulting in a loss of HK\$4,400,000.

In the prior year, the Group has discontinued the recognition of its share of losses of MasterKloud because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the prior year and cumulatively were approximately HK\$1,432,000 and HK\$2,482,000, respectively.



## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 16. INVESTMENTS IN ASSOCIATES (continued)

Notes: (continued)

- (c) SCIT is considered a material associate of the Group. The following table illustrates the summarised financial information of SCIT, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	Group	
	2020 HK\$'000	2019 HK\$'000
Current assets	25,402	18,123
Non-current assets	32	48
Current liabilities	(14,057)	(8,839)
Net assets	11,377	9,332
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	30%	30%
Group's share of net assets of the associate and carrying amount of the investment	3,413	2,800
Revenue	87,905	74,501
Profit and total comprehensive income for the year	3,310	2,857
Dividend received	334	166

## 17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	Group	
		2020 HK\$'000	2019 HK\$'000
Current			
Unlisted equity investment	(a)	1,171	1,017

Note:

- (a) On 25 June 2015, the Group entered into an investment agreement with an independent third party (the "Investee"), pursuant to which the Group invested in a product development project undertaken by the Investee (the "Project") at an initial investment cost of HK\$2 million. In the prior year, IFRS 9 *Financial Instruments* became effective and the investment in the Project was reclassified from prepayment to financial asset at fair value through profit or loss and was stated at fair value.

During the year ended 30 June 2020, a fair value gain on the investment in the Project amounting to HK\$154,000 (2019: HK\$281,000) was credited to profit or loss as "Other income and gains, net".

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

## FAIR VALUE HIERARCHY

At 30 June 2020, fair value measurement of the Group's financial asset at fair value through profit or loss is using significant unobservable inputs (Level 3) as defined in IFRS 13. During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3 (2019: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Group	
	2020 HK\$'000	2019 HK\$'000
Carrying amount at beginning of year	1,017	–
Transfer of prepayment to unlisted equity investment upon adoption of IFRS 9	–	736
Net gain from a fair value adjustment recognised in profit or loss	154	281
Carrying amount at end of year	1,171	1,017

Below is a summary of the valuation technique used and the key input to the valuation in the current year:

Valuation techniques	Significant unobservable inputs	Input/range of input (weighted average)	Sensitivity of fair value to inputs
Unlisted equity investment	Income approach Discount rate	9.86% (2019: 10.16%)	When the discount rate increases/decreases by 50 basis points (2019-50 basis points), the fair value will decrease/increase by HK\$57,000 and HK\$63,000 (2019: HK\$48,000 and HK\$53,000), respectively.

## 18. INVENTORIES

Inventories of the Group are trading stocks.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 19. TRADE AND BILLS RECEIVABLES

	Notes	Group	
		2020 HK\$'000	2019 HK\$'000
Trade receivables	(a)	334,209	395,291
Less: Impairment of trade receivables	(b)	(7,271)	(3,306)
		<b>326,938</b>	391,985
Bills receivables		12,955	9,867
		<b>339,893</b>	401,852

Notes:

- (a) The Group offers credit terms to certain customers. Trade receivables, which are non-interest-bearing, are recognised and carried at their original invoice amounts less allowances for any uncollectible amounts. The Group does not hold any collateral or other credit enhancements over these balances. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.
- (b) The movements in the loss allowance of trade receivables are as follows:

	Group	
	2020 HK\$'000	2019 HK\$'000
At beginning of financial year	3,306	2,527
Impairment losses, net (note 6)	3,964	807
Exchange realignment	1	(28)
At end of financial year	<b>7,271</b>	3,306

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar geographical regions. The calculation reflects the reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 19. TRADE AND BILLS RECEIVABLES (continued)

(b) (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 30 June 2020

	Default	Current	Past due			Total
			Less than 1 Month	1 to 3 months	Over 3 months	
Expected credit loss rate	100%	0.10%	0.10%	2.27%	10.61%	2.18%
Gross carrying amount (HK\$'000)	2,571	212,075	53,856	30,584	35,123	334,209
Expected credit losses (HK\$'000)	2,571	222	55	695	3,728	7,271

As at 30 June 2019

	Default	Current	Past due			Total
			Less than 1 Month	1 to 3 months	Over 3 months	
Expected credit loss rate	100%	0.11%	0.09%	0.78%	13.02%	0.84%
Gross carrying amount (HK\$'000)	468	259,611	79,770	38,686	16,756	395,291
Expected credit losses (HK\$'000)	468	282	73	301	2,182	3,306

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group entered into receivable purchase agreements with a financial institution for the factoring of trade receivables with certain designated customers. At 30 June 2019, trade receivables factored to the financial institution aggregating to approximately HK\$950,000 were not derecognised from the consolidated statement of financial position because the derecognition criteria for financial assets were not met. Accordingly, the advances from the financial institution of approximately HK\$906,000 received by the Group as consideration at 30 June 2019 were recognised as “factoring loans” and included in “interest-bearing bank and other borrowings” (note 25).

At 30 June 2019, the aforementioned factored trade receivables were not past due.

### 21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	Group	
		2020 HK\$'000	2019 HK\$'000
Prepayments		126,848	113,243
Contract assets	(a)	3,387	–
Deposits		2,349	2,887
Other receivables		4,970	8,728
		<b>137,554</b>	124,858
Current portion included in prepayments, other receivables and other assets		<b>(128,745)</b>	(123,219)
Non-current portion		<b>8,809</b>	1,639

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to deposits and receivables for which there was no recent history of default. The Group has thereby concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the rates for the deposits and other receivables. Since the deposits and other receivables are related to receivables which are still in current and the payment is not due, the expected credit loss rates of deposits and other receivables are assessed to be minimal.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

Note:

(a)

	30 June 2020 HK\$'000	30 June 2019 HK\$'000	1 July 2018 HK\$'000
Contract assets arising from:			
IT infrastructure	3,387	–	–

Contract assets are initially recognised for revenue earned from the IT infrastructure as the receipt of consideration is based on the billing process. Included in contract assets for IT infrastructure are unbilled amounts of revenue. Upon completion of the billing of the revenue from the contract customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2020 was the result of the increase in the ongoing sale of IT infrastructure at the end of the year.

The expected timing of recovery or settlement for contract assets as at 30 June is as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	454	–
After one year	2,933	–
Total contract assets	3,387	–

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflects the reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

None of the above assets is either past due or impaired. There was no recent history of default for the contract assets. Since the contract assets are related to receivables which are still in current and the payment is not due, the expected credit loss rates of contract assets are assessed to be minimal.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 22. DERIVATIVE FINANCIAL INSTRUMENT

The Group has entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting under IFRSs. The forward currency contracts are derivatives and are classified as financial assets at fair value through profit or loss and are stated at fair values at the end of the reporting period. The fair values disclosed in these financial statements were based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly (Level 2 of the fair value hierarchy as defined in IFRS 7).

Fair value gain on derivative financial instrument amounting to HK\$213,000 (2019: fair value loss of HK\$68,000) was charged to profit or loss as "Other income and gains, net" in 2020.

The fair value of the Group's forward currency contracts is determined by discounting the estimated future cash flows which are based on the terms and conditions of the forward currency contracts, the historical prices of the underlying currencies, the contractual period, discount rate and other factors materially affecting the values of the forward contracts.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the financial instruments (2019: Nil).

### 23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Cash and bank balances	<b>86,711</b>	73,227	<b>230</b>	627

At 30 June 2020, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$38,185,000 (2019: HK\$13,456,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with major international banks in Mainland China, Hong Kong and Singapore and state-owned banks in Mainland China with no recent history of default.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Note	Group		Company	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Trade payables		199,654	209,945	–	–
Contract liabilities	(a)	133,555	135,188	–	–
Refund liabilities		869	2,529	–	–
Other payables		12,239	7,989	–	–
Accruals		20,987	25,476	2,091	3,465
Receipts in advance		3,207	–	–	–
Other payables and accruals		170,857	171,182	2,091	3,465
		370,511	381,127	2,091	3,465
Current portion included in trade payables, other payables and accruals		(364,165)	(379,399)	(2,091)	(3,465)
Non-current portion		6,346	1,728	–	–

The trade and other payables are non-interest-bearing and are normally settled on 30-60 days. Trade payables which will be settled in one to two years.

(a) Details of contract liabilities are as follows:

	30 June 2020 HK\$'000	30 June 2019 HK\$'000	1 July 2018 HK\$'000
<i>Advances received from customers</i>			
Sales of goods	41,720	41,369	33,495
Provision of professional and warranty services	91,835	93,819	16,233
	133,555	135,188	49,728

Contract liabilities include advances received to sell the goods and render professional and warranty services. The decrease in contract liabilities in 2020 was mainly due to the decrease in advances received from customers in relation to warranty services at the end of the year. The increase in contract liabilities in 2019 was mainly due to the increase in advances received from customers in relation to warranty services at the end of the prior year.



## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 25. INTEREST-BEARING BANK AND OTHER BORROWINGS

## GROUP

	2020		2019	
	Maturity	HK\$'000	Maturity	HK\$'000
<b>Current</b>				
Lease liabilities (notes 13(b) and 26)	2020	93	2019	88
Bank loans, unsecured	2020	85,183	2019	125,181
Factoring loans, unsecured (note 20)	2020	–	2019	906
		<b>85,276</b>		126,175
<b>Non-current</b>				
Lease liabilities (notes 13(b) and 26)	2024	264	2024	357
		<b>85,540</b>		126,532

The Group's bank loans bear interest at floating rates ranging from 1.1% to 5.3% (2019: 1.3% to 3.5%) per annum, and the factoring loans bore interest at 4.6% per annum in the prior year.

All the bank and other borrowings of the Group as at 30 June 2020 and 2019 were denominated in Hong Kong dollars. At 30 June 2020, bank borrowings of HK\$85,183,000 (2019: HK\$125,181,000) were covered by cross corporate guarantees given by the Company and certain of its subsidiaries.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 26. FINANCE LEASE PAYABLES

The Group leases certain of its office equipment. These leases were classified as finance leases prior to IFRS 16 becoming effective on 1 July 2019 and had remaining lease terms of five years.

At 30 June 2019, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments	Present value of minimum lease payments
	HK\$'000	HK\$'000
Amounts payable:		
Within one year	109	88
In the second year	109	93
In the third to fifth years, inclusive	282	264
<b>Total minimum finance lease payments</b>	<b>500</b>	<b>445</b>
Future finance charges	(55)	
<b>Total net finance lease payables</b>	<b>445</b>	
Portion classified as current liabilities ( <i>note 25</i> )	(88)	
<b>Non-current portion (<i>note 25</i>)</b>	<b>357</b>	

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 27. DEFERRED TAX

The movements in deferred tax assets and liabilities of the Group during the year are as follows:

## GROUP

	Note	Assets provision HK\$'000	Losses available for offsetting against future taxable profits HK\$'000	Tax depreciation allowance in excess of related depreciation HK\$'000	Fair value adjustment from acquisition of a subsidiary HK\$'000	Total HK\$'000
At 1 July 2018		647	3,152	(3,511)	(93)	195
Deferred tax credited to profit or loss during the year	8	793	1,290	496	–	2,579
Exchange realignment		7	–	67	–	74
At 30 June 2019 and at 1 July 2019		<b>1,447</b>	<b>4,442</b>	<b>(2,948)</b>	<b>(93)</b>	<b>2,848</b>
Deferred tax credited to profit or loss during the year	8	<b>972</b>	<b>1,599</b>	<b>113</b>	<b>93</b>	<b>2,777</b>
Exchange realignment		<b>63</b>	<b>–</b>	<b>(1)</b>	<b>–</b>	<b>62</b>
At 30 June 2020		<b>2,482</b>	<b>6,041</b>	<b>(2,836)</b>	<b>–</b>	<b>5,687</b>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax assets/(liabilities) recognised in the consolidated statement of financial position:

	2020 HK\$'000	2019 HK\$'000
Deferred tax assets	<b>7,923</b>	5,289
Deferred tax liabilities	<b>(2,236)</b>	(2,441)
	<b>5,687</b>	2,848

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 27. DEFERRED TAX (continued)

#### GROUP (continued)

Notes:

- (a) At 30 June 2020 and 2019, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Company as the Company has no liability to additional tax should such amounts be remitted to its shareholders in the form of dividends.
- (b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 30 June 2020 and 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. At 30 June 2020, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately HK\$10,695,000 (2019: HK\$8,618,000).

- (c) At 30 June 2020, deferred tax assets have not been recognised in respect of unused tax losses of HK\$25,601,000 (2019: HK\$31,457,000) as they have arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised. Out of this amount, unrecognised tax losses of HK\$5,928,000 (2019: HK\$7,614,000) will expire in five years.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 28. SHARE CAPITAL

## (i) SHARES

	Group and Company	
	2020 HK\$'000	2019 HK\$'000
Authorised: 10,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	1,000,000
Issued and fully paid: 214,760,000 (2019: 214,760,000) ordinary shares of HK\$0.1 each	21,476	21,476

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 July 2018	214,610,000	21,461	45,760	67,221
Share options exercised	150,000	15	125	140
At 30 June 2019, 1 July 2019 and 30 June 2020	<b>214,760,000</b>	<b>21,476</b>	<b>45,885</b>	<b>67,361</b>

## (ii) TREASURY SHARES

There was no movement in the Group's and the Company's treasury shares during the current and prior year:

	Number of shares	Amount HK\$'000
At 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	12,000	19

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 29. SHARE OPTION SCHEMES

The Company operates the 2005 Karin Employee Share Option Scheme (the “**2005 ESOS**”) for the purpose of providing incentives and rewards to eligible participants who have contributed significantly to the growth and performance of the Group. Eligible participants of the 2005 ESOS include the Company’s directors, including independent directors, and other employees of the Group.

The offer of a grant of share options may be accepted within 30 days after the relevant offer date by completing, signing and returning to the Company the acceptance form accompanied by payment of HK\$1.00 as consideration by the grantee. The exercise period of the share options granted at market price commences at any time after the first anniversary from the offer date of that option and the exercise period of the share options granted at below market price commences at any time after the second anniversary from the offer date of that option, provided that the options shall be exercised before the tenth anniversary of the relevant offer date, except that the options granted to independent directors shall be exercised before the fifth anniversary of the relevant offer date, or an earlier date as may be determined by the committee of the Scheme (the “**Committee**”).

The exercise price of the share option is determined by the Committee at its absolute discretion and fixed by the Committee at (i) the average last dealt price for the Company’s shares determined by reference to the daily official lists published by the SGX-ST for the five consecutive trading days immediately prior to the relevant offer date (the “**Price**”), or (ii) a price which is set at a discount of not exceeding 20% of the Price and approved by the shareholders at a general meeting in a separate resolution in respect of that option. The aggregate number of shares in respect of which options may be offered to a grantee for subscription in accordance with the Scheme shall be determined at the absolute discretion of the Committee.

Pursuant to a resolution passed at the annual general meeting held on 9 October 2014, the 2005 ESOS was cancelled and the 2014 Karin Employee Share Option Scheme (the “**2014 ESOS**”) has been adopted. There is no material difference between the terms of the 2005 ESOS and the 2014 ESOS, save that the definition of “eligible participants” and necessary modification and/or amendments have been made pursuant to the Listing Manual of the SGX-ST. The purpose of the 2014 ESOS is to replace the 2005 ESOS and to enable the Company to give recognition to the contributions made by eligible participants towards the success and continued well-being of the Group. Upon the termination of the 2005 ESOS, no further share options will be granted under the 2005 ESOS, and there was no outstanding and unexercised options as at 30 June 2019 as all share options granted pursuant to the 2005 ESOS were either exercised or lapsed. Since the adoption of the 2014 ESOS and during the year, no share option was granted pursuant to the 2014 ESOS and no share options were exercised.

Share options do not confer rights on the holders either to dividends, or to vote at shareholders’ meetings.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 29. SHARE OPTION SCHEMES (continued)

The following share options were outstanding under the 2005 ESOS during the year:

		2020		2019	
		Number of	Weighted	Number of	Weighted
	Notes	options	average	options	average
		'000	exercise	'000	exercise
			price		price
			Singapore		Singapore
			dollar ("S\$")		dollar ("S\$")
			per share		per share
At beginning of financial year	(a)	–	–	150	0.1060
Exercised during the year	(b)	–	–	(150)	0.1060
At end of financial year		–	–	–	–

Notes:

- (a) The share options granted by the Company in the prior years were fully vested to the grantees as at 1 July 2011. Therefore, no equity-settled share option expense was recognised in profit or loss in the current and prior years.
- (b) The 150,000 share options exercised in the prior year resulted in the issue of 150,000 ordinary shares of the Company and new share capital of HK\$15,000 and share premium of HK\$125,000 (before issue expenses), as further detailed in note 28 to the financial statements.

At the end of the reporting period, the Company had no (2019: Nil) share options outstanding under the 2005 ESOS.

### 30. RESERVES

#### (a) GROUP

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

- (i) The Group's contributed surplus represents the difference between the aggregate of the nominal value of issued share capital and the balance of the contributed surplus account the Company acquired, and the nominal value of the shares of the Company issued in exchange therefor, pursuant to a group restructuring completed in prior years.
- (ii) In accordance with the relevant PRC regulations, each of the Group's PRC subsidiaries is required to transfer not less than 10% of its profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the general reserve until such reserve reaches 50% of its registered capital. The quantum of the annual transfer is subject to the approval of the respective boards of directors of the PRC subsidiaries in accordance with their respective articles of association.
- (iii) The Group's other reserve represents the difference between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid to acquire additional interest in a subsidiary.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 30. RESERVES (continued)

(b) COMPANY

	Note	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 July 2018		45,760	36,311	59	18,918	101,048
Profit for the year and total comprehensive income for the year		-	-	-	37,946	37,946
Issue of shares under the share option scheme		125	-	(49)	-	76
Transfer of share option reserve upon the forfeiture of share options		-	-	(10)	10	-
Final 2018 dividend paid		-	-	-	(25,340)	(25,340)
Interim 2019 dividend paid	9	-	-	-	(12,455)	(12,455)
At 30 June 2019 and at 1 July 2019		<b>45,885</b>	<b>36,311</b>	-	<b>19,079</b>	<b>101,275</b>
Profit for the year and total comprehensive income for the year		-	-	-	25,472	25,472
Final 2019 dividend paid	9	-	-	-	(16,750)	(16,750)
Interim 2020 dividend paid	9	-	-	-	(8,376)	(8,376)
At 30 June 2020		<b>45,885</b>	<b>36,311</b>	-	<b>19,425</b>	<b>101,621</b>



## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

## (a) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank and factoring loans HK\$'000	Finance lease payables/lease liabilities HK\$'000
At 1 July 2019	126,087	445
Effect of adoption of IFRS 16	–	2,271
At 1 July 2019 (restated)	126,087	2,716
Changes from financing cash flows	(40,836)	(1,319)
Remeasurement on rent concession	–	(92)
Interest expense	–	79
Interest paid classified as operating cash flows	–	(79)
Effect of changes in foreign exchange rate	(68)	–
At 30 June 2020	85,183	1,305

	Bank and factoring loans HK\$'000	Finance lease payables HK\$'000
At 1 July 2018	140,029	133
Additions	–	481
Changes from financing cash flows	(13,800)	(172)
Effect of changes in foreign exchange rate	(142)	3
At 30 June 2019	126,087	445

## (b) TOTAL CASH OUTFLOW FOR LEASES

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 HK\$'000
Within operating activities	2,586
Within financing activities	1,319
	3,905

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 32. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

	Group		Company	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Bank guarantee given in lieu of a utility deposit	207	207	–	–
Guarantees given to banks in connection with facilities granted to subsidiaries	–	–	700,000	700,000
Guarantees given to suppliers in connection with credit facilities granted to subsidiaries	–	–	476,632	360,062
	<b>207</b>	207	<b>1,176,632</b>	1,060,062

As at 30 June 2020, the guarantees given to banks and suppliers by the Company in connection with facilities granted to subsidiaries were utilised to the extent of approximately HK\$85,183,000 (2019: HK\$125,181,000) and HK\$91,448,000 (2019: HK\$83,392,000), respectively.

## 33. COMMITMENTS

The Group leased certain of its warehouses, office premises and other equipment under operating lease arrangements. Leases for warehouses, office premises and other equipment were negotiated for terms ranging from two to five years.

At 30 June 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 HK'000
Within one year	2,180
In the second to fifth years, inclusive	961
	<b>3,141</b>

## 34. RELATED PARTY DISCLOSURES

## (a) TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Other than the related party transactions and balances disclosed elsewhere in these financial statements, the Group had no material transaction with related parties during the year and at the end of the reporting period.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 34. RELATED PARTY DISCLOSURES (continued)

## (b) REMUNERATION OF DIRECTORS

	2020 HK\$'000	2019 HK\$'000
Fees	759	776
Other emoluments	5,104	5,858
	<b>5,863</b>	6,634

The remuneration of the directors of the Company analysed into the following bands is disclosed in compliance with Rule 1207(11) of Chapter 12 of the Listing Manual of the SGX-ST:

	Number of directors		
	Executive	Independent	Total
<b>Year ended 30 June 2020</b>			
Below S\$250,000 (HK\$1,390,000)	1	3	4
S\$250,000 to S\$500,000 (HK\$1,390,000 to HK\$2,780,000)	2	–	2
	<b>3</b>	<b>3</b>	<b>6</b>
<b>Year ended 30 June 2019</b>			
Below S\$250,000 (HK\$1,443,000)	–	3	3
S\$250,000 to S\$500,000 (HK\$1,443,000 to HK\$2,886,000)	3	–	3
	<b>3</b>	<b>3</b>	<b>6</b>

## (c) COMPENSATION OF KEY MANAGEMENT PERSONNEL (INCLUDING DIRECTORS' REMUNERATION AS DISCLOSED IN (B) ABOVE) OF THE GROUP

	2020 HK\$'000	2019 HK\$'000
Short term employee benefits	14,808	16,294
Post-employment benefits	144	154
	<b>14,952</b>	16,448

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 34. RELATED PARTY DISCLOSURES (continued)

## (c) COMPENSATION OF KEY MANAGEMENT PERSONNEL (INCLUDING DIRECTORS' REMUNERATION AS DISCLOSED IN (B) ABOVE) OF THE GROUP (continued)

Other than the foregoing, there were no principal interested party relationships where control over financial and operating policies existed as at the end of the reporting period.

In the opinion of the directors, the above related party transactions were entered into in the ordinary course of the Group's business and were in accordance with the terms of arrangements governing the transactions.

## 35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

## AT 30 JUNE 2020

	Group			Company
	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total	Financial assets at amortised cost
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b>				
Trade and bills receivables	–	339,893	339,893	–
Financial assets included in prepayments, other receivables and other assets	–	7,319	7,319	–
Financial asset at fair value through profit or loss	1,171	–	1,171	–
Amounts due from subsidiaries	–	–	–	50,867
Derivative financial instrument	145	–	145	–
Cash and cash equivalents	–	86,711	86,711	230
	1,316	433,923	435,239	51,097

	Group		Company
	Financial liabilities at amortised cost	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK\$'000	HK\$'000	HK\$'000
<b>Financial liabilities</b>			
Trade payables	199,654	–	–
Financial liabilities included in other payables and accruals	18,032	–	165
Interest-bearing bank and other borrowings other than lease liabilities	85,183	–	–
Amount due to a subsidiary	–	–	2,283
Lease liabilities	1,305	–	–
	304,174	–	2,448

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

AT 30 JUNE 2019

	Group			Company	
	Financial assets at fair value through profit or loss HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000	Financial assets at amortised cost HK\$'000
Trade and bills receivables	–	–	401,852	401,852	–
Financial assets included in prepayments, other receivables and other assets	–	–	11,615	11,615	–
Financial asset at fair value through profit or loss	1,017	–	–	1,017	–
Financial assets at fair value through other comprehensive income	–	950	–	950	–
Amounts due from subsidiaries	–	–	–	–	50,257
Cash and cash equivalents	–	–	73,227	73,227	627
	1,017	950	486,694	488,661	50,884

	Group			Company	
	Financial liabilities at amortised cost HK\$'000	Financial liabilities at fair value through profit or loss HK\$'000	Total HK\$'000	Financial liabilities at amortised cost HK\$'000	
Trade payables	209,945	–	209,945	–	
Financial liabilities included in other payables and accruals	14,020	–	14,020	241	
Derivative financial instrument	–	68	68	–	
Interest-bearing bank and other borrowings other than finance lease payables	126,087	–	126,087	–	
Amount due to a subsidiary	–	–	–	1,010	
Finance lease payables	445	–	445	–	
	350,497	68	350,565	1,251	

## Financial liabilities

Trade payables	209,945	–	209,945	–
Financial liabilities included in other payables and accruals	14,020	–	14,020	241
Derivative financial instrument	–	68	68	–
Interest-bearing bank and other borrowings other than finance lease payables	126,087	–	126,087	–
Amount due to a subsidiary	–	–	–	1,010
Finance lease payables	445	–	445	–
	350,497	68	350,565	1,251

Since the carrying amounts of the Group's financial instruments approximate to their fair values, no separate disclosure of the fair values of the Group's financial instruments is made in these financial statements.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly comprise interest-bearing bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade, bills and other receivables, factored trade receivables and trade and other payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are (a) interest rate risk, (b) foreign currency risk, (c) credit risk and (d) liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

**(a) INTEREST RATE RISK**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank balances with floating interest rates and the interest-bearing bank and other borrowings. The Group monitors the movements in interest rates on an ongoing basis and evaluates the exposure for its bank balances.

**(b) FOREIGN CURRENCY RISK**

The Group's exposure to market risk for changes in foreign currency exchange rate relates primarily to certain trade receivables and payables and certain bank balances denominated in currencies other than the units' functional currencies. The Group uses foreign currency forward contracts to reduce its foreign currency risk, but the transactions do not qualify for hedge accounting in accordance with IAS 39. Further details of the forward currency contracts are set out in note 22 to the financial statements.

**(c) CREDIT RISK**

The carrying amounts of trade receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets. The Group has no significant concentration of credit risk in relation to trade receivables due to the Group's large customer base. Concentrations of credit risk are analysed by customer/counterparty, by geographical region and by industry sector. The Group performs ongoing credit evaluations of its customers' financial condition and requires no collateral from its customers.

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

## (c) CREDIT RISK (continued)

*Maximum exposure and year-end staging*

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 30 June. The amounts presented are gross carrying amounts for financial assets.

*As at 30 June 2020*

	ECLs		12-month Lifetime ECLs		Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Trade receivables*	–	–	–	334,209	334,209
Bills receivables**	12,955	–	–	–	12,955
Financial assets included in prepayments, other receivables and other assets					
– Normal**	7,319	–	–	–	7,319
Cash and cash equivalents – Not yet past due	86,711	–	–	–	86,711
	106,985	–	–	334,209	441,194

*As at 30 June 2019*

	ECLs		12-month Lifetime ECLs		Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Trade receivables*	–	–	–	395,291	395,291
Bills receivables**	9,867	–	–	–	9,867
Financial assets included in prepayments, other receivables and other assets					
– Normal**	11,615	–	–	–	11,615
Cash and cash equivalents – Not yet past due	73,227	–	–	–	73,227
	94,709	–	–	395,291	490,000

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

\*\* The credit quality of the financial assets included in prepayments, other receivables and other assets and bills receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

## NOTES TO FINANCIAL STATEMENTS

30 June 2020

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

## (d) LIQUIDITY RISK

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group adopts a prudent liquidity risk management which implies maintaining sufficient cash and the ability to apply for bank loan facilities if necessary.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020				
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Trade payables	–	199,654	–	–	199,654
Financial liabilities included in other payables and accruals	–	–	18,032	–	18,032
Interest-bearing bank and other borrowings other than lease liabilities	–	85,183	–	–	85,183
Lease liabilities	–	579	478	282	1,339
Guarantees given to banks for utility deposits	207	–	–	–	207
	207	285,416	18,510	282	304,415

	2019				
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Trade payables	–	209,945	–	–	209,945
Financial liabilities included in other payables and accruals	–	–	14,020	–	14,020
Derivative financial instrument	68	–	–	–	68
Interest-bearing bank and other borrowings other than finance lease payables	–	126,087	–	–	126,087
Finance lease payables	–	27	82	391	500
Guarantees given to banks for utility deposits	207	–	–	–	207
	275	336,059	14,102	391	350,827



## NOTES TO FINANCIAL STATEMENTS

30 June 2020

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### (d) LIQUIDITY RISK (continued)

The Company's financial liabilities as at 30 June 2020, based on the contractual undiscounted payments, of approximately HK\$2,448,000 (2019: HK\$1,251,000) would mature within one year. Further details of the financial liabilities of the Company are set out in note 35 to the financial statements. The balances due within one year from the end of the reporting period approximate to their carrying balances as the impact of the discount is not significant. In addition, the Company is also exposed to liquidity risk through the granting of financial guarantees. At 30 June 2020, the Company had guarantees given to banks and suppliers in connection with facilities granted to subsidiaries and utilised as to an aggregate of HK\$176,631,000 (2019: HK\$208,573,000) which were repayable on demand, further details of which are disclosed in note 32 to the financial statements.

#### (e) CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, repurchase its own shares or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2020 and 2019.

The Group monitors its capital using a gearing ratio, which is interest-bearing bank and other borrowings and finance lease payables divided by the total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2020 HK\$'000	2019 HK\$'000
Interest-bearing bank and other borrowings	85,540	126,532
Total equity	427,236	451,974
Gearing ratio	0.20	0.28

### 37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 September 2020.

## FINANCIAL SUMMARY

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below. This summary does not form part of the audited financial statements.

	Year ended 30 June				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
REVENUE	<b>1,766,383</b>	1,800,564	2,013,340	1,867,924	2,237,932
Cost of sales	<b>(1,620,578)</b>	(1,620,818)	(1,851,051)	(1,702,262)	(2,058,137)
Gross profit	<b>145,805</b>	179,746	162,289	165,662	179,795
Other income and gains, net	<b>9,143</b>	7,067	14,512	7,479	5,756
Selling and distribution costs	<b>(66,268)</b>	(74,925)	(65,223)	(60,359)	(64,402)
Administrative expenses	<b>(62,574)</b>	(68,356)	(74,055)	(66,710)	(93,377)
Other expenses, net	<b>(16,061)</b>	(2,837)	(63)	(3,932)	(6,015)
Finance costs	<b>(3,099)</b>	(4,827)	(3,446)	(2,671)	(2,258)
Share of profits and losses of associates	<b>993</b>	956	135	1,055	654
PROFIT BEFORE TAX	<b>7,939</b>	36,824	34,149	40,524	20,153
Income tax expense	<b>(2,931)</b>	(4,510)	(6,879)	(6,452)	(9,055)
PROFIT FOR THE YEAR	<b>5,008</b>	32,314	27,270	34,072	11,098
Profit for the year attributable to:					
Owners of the Company	<b>4,800</b>	32,304	28,000	34,653	13,651
Non-controlling interests	<b>208</b>	10	(730)	(581)	(2,553)
	<b>5,008</b>	32,314	27,270	34,072	11,098
Earnings before interest, tax, depreciation and amortisation	<b>22,688</b>	53,711	54,712	61,440	62,793
Core profit after tax (*)	<b>17,111</b>	38,852	25,652	32,900	18,601

(\*) Profit for the year before the following:

- exchange (gain)/loss;
- (reversal of impairment)/impairment of trade receivables;
- write-down/(reversal of write-down) and write-off of obsolete inventories to net realisable value;
- fair value losses/(gains) on investment properties;
- fair value losses/(gains) on financial asset at fair value through profit or loss;
- fair value losses on derivative financial instrument;
- loss/(gain) on disposal of items of property, plant and equipment; and
- loss on disposal of an associate.

## FINANCIAL SUMMARY

## FIVE YEAR FINANCIAL SUMMARY (continued)

	As at 30 June				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Non-current assets	<b>168,322</b>	188,487	173,840	161,090	179,552
Current assets	<b>726,736</b>	777,821	723,894	645,583	687,094
Current liabilities	<b>(458,976)</b>	(509,808)	(448,421)	(391,812)	(444,549)
Net current assets	<b>267,760</b>	268,013	275,473	253,771	242,545
Total assets less current liabilities	<b>436,082</b>	456,500	449,313	414,861	422,097
Non-current liabilities	<b>(8,846)</b>	(4,526)	(11,296)	(6,857)	(5,745)
Net assets	<b>427,236</b>	451,974	438,017	408,004	416,352
Equity attributable to owners of the Company	<b>427,700</b>	452,662	439,264	409,863	418,204
Non-controlling interests	<b>(464)</b>	(688)	(1,247)	(1,859)	(1,852)
Total equity	<b>427,236</b>	451,974	438,017	408,004	416,352
Debtors turnover days	<b>76.6</b>	84.5	74.5	75.1	63.7
Creditors turnover days	<b>46.1</b>	48.6	41.3	42.8	38.4
Inventories turnover days	<b>39.0</b>	41.3	32.1	35.3	36.1

## STATISTICS OF SHAREHOLDINGS

### STATISTICS OF SHAREHOLDERS AS AT 11 SEPTEMBER 2020

Authorised share capital	:	HK\$1,000,000,000
Issued and Fully Paid-up Capital	:	HK\$21,476,000.00
Total number of issued shares excluding treasury shares and subsidiary holdings	:	214,748,000
Total number of treasury shares held	:	12,000
Number of subsidiary holdings held	:	Nil
Percentage of treasury shares and subsidiary holdings held against the total number of issued shares	:	0.0056%
Class of Shares	:	Ordinary share of HK\$0.10 each
Voting Rights	:	One Vote per ordinary share

The Company cannot exercise any voting rights in respect of ordinary shares held by it as treasury shares.

### DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Ordinary Shareholders		No. of Shares (excluding treasury shares)	
	No. of Shareholders	% of Holders	No. of Shares	% of Shares*
1 – 99	–	–	–	–
100 – 1,000	98	15.34	82,500	0.04
1,001 – 10,000	214	33.49	1,305,400	0.61
10,001 – 1,000,000	313	48.98	22,826,775	10.63
1,000,001 and above	14	2.19	190,533,325	88.72
<b>TOTAL</b>	<b>639</b>	<b>100.00</b>	<b>214,748,000</b>	<b>100.00</b>

### SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 11 September 2020)

Name	Direct Interest		Deemed Interests	
	No. of shares held	%*	No. of shares held (excluding treasury shares)	%*
Asia Platform Investment Limited	70,639,950	32.89	–	–
Kikki Investment Ltd	70,639,950	32.89	–	–
Ng Yuk Wing, Philip	–	–	72,151,950 <sup>(1) (3)</sup>	33.60
Ng Mun Kit, Michael	–	–	70,639,950 <sup>(1)</sup>	32.89
Kikkiy Investment Ltd	–	–	70,639,950 <sup>(2)</sup>	32.89
Ng Kin Wing, Raymond	–	–	70,639,950 <sup>(2)</sup>	32.89
Ng Eng Seng	17,220,200	8.02	–	–

## STATISTICS OF SHAREHOLDINGS

### SUBSTANTIAL SHAREHOLDERS (continued)

Notes:–

- (1) Asia Platform Investment Limited is an investment holding company which is owned by Mr. Ng Mun Kit, Michael and Mr. Ng Yuk Wing, Philip.
  - (2) Kikki Investment Ltd is an investment holding company which is indirectly wholly-owned by Mr. Ng Kin Wing, Raymond. Kikki Investment Ltd wholly-owns Kikki Investment Ltd which holds 70,639,950 ordinary shares in the Company.
  - (3) Mr. Ng Yuk Wing, Philip is deemed to be interested in the 1,512,000 ordinary shares held by Mdm Leung Tak Ching (“**Mdm Leung**”), the spouse of Mr. Ng Yuk Wing, Philip.
- \* Percentages are calculated based on the total number of issued shares, excluding treasury Shares and subsidiary holdings, as at 11 September 2020.

### LIST OF 20 LARGEST SHAREHOLDERS

NO.	SHAREHOLDERS NAME	NUMBER OF SHARES HELD	% *
1	Asia Platform Investment Limited	70,639,950	32.89
2	Kikki Investment Ltd	70,639,950	32.89
3	Ng Eng Seng	17,976,100	8.37
4	DBS Nominees Pte Ltd	7,591,700	3.54
5	DB Nominees (Singapore) Pte Ltd	6,680,000	3.11
6	Seet Christina	4,000,000	1.86
7	Wee Hian Kok	2,763,000	1.29
8	Cheng Kim Man Edwin	2,000,000	0.93
9	Ng Hock Kon	1,800,000	0.84
10	Leung Tak Ching	1,512,000	0.70
11	Lim Mee Hwa	1,350,000	0.63
12	Tan Ming Kirk Richard	1,350,000	0.63
13	Raffles Nominees (Pte) Limited	1,154,425	0.54
14	OCBC Securities Private Ltd	1,076,200	0.50
15	Kim Soo Koong	1,000,000	0.47
16	Seah Kun Liap	987,000	0.46
17	Yeo Whee Kiak	726,000	0.34
18	Lai Weng Kay	652,500	0.30
19	DBS Vickers Securities (Singapore) Pte Ltd	625,000	0.29
20	Yeo Joo Hua	618,800	0.29
	Total	<b>195,142,625</b>	<b>90.87</b>

- \* Percentage is based on 214,748,000 Shares (excluding shares held as treasury shares and subsidiary holdings) as at 11 September 2020.

## STATISTICS OF SHAREHOLDINGS

### TREASURY SHARES

Number of ordinary shares purchased and held in treasury shares as at 11 September 2020: 12,000.

Percentage of such holding against the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings): 0.0056%.

### COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

Based on information available and to the best knowledge of the Company as at 11 September 2020, approximately 25.04%\* of the ordinary shares of the Company are held by the public. The Company is therefore in compliance with Rule 723 of the SGX-ST Listing Manual.

\* Percentages are calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) as at 11 September 2020.

## INFORMATION ABOUT INVESTMENT PROPERTIES HELD

### MAJOR PROPERTIES HELD FOR INVESTMENT PURPOSE:

Location	Purpose of property	Tenure of land	Term of lease
5th Floor, Karin Building, No. 166 Wai Yip Street Kwun Tong, Kowloon, Hong Kong	Office premises	Leasehold	The properties are held from the government for a term of 21 years renewable for 14 years commencing on 1 July 1962, which has been statutorily extended to 30 June 2047.
Units 703, 704 and 709 on Level 7, Tower 1, Kerry Everbright City, No. 218 Tian Mu Road West, Zhabei District, Shanghai, The PRC	Office premises	Leasehold	The properties are held from the government for a term of 50 years commencing on 24 September 1992 and expiring on 23 September 2042.
No. 3 Ang Mo Kio Street 62 #01-40 Link@AMK Singapore 569139	One unit of 3-Storey terrace factory. Level 3 is currently rented out.	Leasehold	The property is under a term of 60 years commencing from 28 June 2011 and expiring on 27 June 2071 registered under Karsing Pte Ltd, an indirectly wholly-owned subsidiary of Karin Technology Holdings Limited.

## NOTICE OF ANNUAL GENERAL MEETING



嘉靈集團  
KARIN  
GROUP

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

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be convened and held by way of electronic means on Friday, 23 October 2020 at 10.00 a.m. (Singapore time) to transact the following businesses:

### AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year **(Resolution 1)** ended 30 June 2020 together with the Directors' Report and the Auditor's Report thereon.
2. To approve a final dividend of HK4.6 cents per ordinary share for the financial year ended **(Resolution 2)** 30 June 2020.
3. To approve Directors' Fees of HK\$759,000 for the financial year ended 30 June 2020. **(Resolution 3)**
4. To record the retirement of Prof. Ng Tung Sang who is retiring pursuant to Bye-law 86 of the Company's Bye-laws (the "**Bye-laws**").
5. To re-elect Mr. Lawrence Kwan, a director who is retiring pursuant to Bye-law 86 of the **(Resolution 4)** Bye-laws and, being eligible, offer himself for re-election. (See *Explanatory Note 1*)
6. To approve the appointment of Mr. Kuan Cheng Tuck as a director of the Company. (See **(Resolution 5)** *Explanatory Note 2*)
7. To re-appoint Messrs Ernst & Young, Hong Kong as auditor of the Company and to authorise **(Resolution 6)** the Directors to fix their remuneration.



## NOTICE OF ANNUAL GENERAL MEETING

### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions, with or without modifications:

8. Authority to allot and issue shares

**(Resolution 7)**

"That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:
  - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent bonus issue, consolidation or subdivision of shares;

## NOTICE OF ANNUAL GENERAL MEETING

Adjustments in accordance with (i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this resolution.

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-laws for the time being of the Company; and (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." (See *Explanatory Note 3*)

9. Authority to grant options and issue shares under the 2014 Karin Employee Share Option **(Resolution 8)** Scheme

"That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the 2014 Karin Employee Share Option Scheme ("**Scheme**") and to allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time." (See *Explanatory Note 4*)

10. Authority to Grant Options at a Discount under the 2014 Karin Employee Share Option **(Resolution 9)** Scheme

"That, subject to and contingent upon the passing of Resolution 10, the Directors of the Company be and are hereby authorised to offer and grant Options in accordance with the provisions of the 2014 Karin Employee Share Option Scheme ("**2014 ESOS**") to participants with exercise prices set at a discount to the Market Price (as defined in the Appendix dated 24 September 2014) subject to the following conditions:

- (a) the maximum discount shall not exceed 20% of the market price, which is the average of the last dealt prices for a Share as determined by reference to the daily official list or any other publication published by the SGX-ST for five (5) consecutive market days immediately prior to the relevant date of offer of the option to a participant of the 2014 ESOS (as determined in accordance with the rules of the 2014 ESOS); and
- (b) in no event shall the exercise price be less than the nominal value of each Share."

## NOTICE OF ANNUAL GENERAL MEETING

### 11. Proposed renewal of the Share Buyback Mandate

(Resolution 10)

“That:

(a) pursuant to the Bye-laws, the Companies Act 1981 of Bermuda (the “**Companies Law**”) and the Listing Manual of the SGX-ST, approval be and is hereby given for the renewal of the Share Buyback Mandate (as hereinafter defined) and the Directors be authorised to exercise all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined) whether by way of:

- (i) on-market purchase(s) (“**Market Purchases**”), transacted on the SGX-ST through its ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (ii) off-market purchase(s) (“**Off-Market Purchases**”) (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit and in the interests of the Company, which scheme(s) shall satisfy all the conditions prescribed by the Bye-laws and the Listing Manual,

and otherwise in accordance with other laws and regulations (the “**Share Buyback Mandate**”); and

- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the proposed Share Buyback Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Companies Law;
- (c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this resolution and expiring on the earlier of:
  - (i) the date on which the Annual General Meeting is held or required by law or the Bye-laws to be held;
  - (ii) the date on which Share purchases or acquisitions pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or
  - (iii) the date on which the authority conferred by the Share Buyback Mandate is varied or revoked at a general meeting,

(the “**Relevant Period**”).

## NOTICE OF ANNUAL GENERAL MEETING

In this resolution:

**“Prescribed Limit”** means 10% of the issued ordinary share capital of the Company as at the date of passing of this resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Law, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time); and

**“Maximum Price”** in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase: 105% of the Average Closing Price (as hereinafter defined); and
- (ii) in the case of an Off-Market Purchase: 120% of the Highest Last Dealt Price (as hereinafter defined), where:

**“Average Closing Price”** means the average of the closing market prices of a Share over the last five (5) market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

**“Highest Last Dealt Price”** means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

**“day of the making of the offer”** means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or any of them may consider expedient, necessary, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this resolution.” (See *Explanatory Note 5*)

## NOTICE OF ANNUAL GENERAL MEETING

12. Proposed adoption of the Karin Performance Share Plan

**(Resolution 11)**

“That:

- (a) a new employee share plan to be known as the “Karin Performance Share Plan” (the “**Plan**”), the details which are set out in the appendix attached to the annual report, under which awards (“**Awards**”) of fully-paid ordinary shares in the capital of the Company will be issued or delivered (as the case may be) free of charge, to selected employees of the Group, including Directors and other selected participants, be and is hereby approved;
- (b) the committee comprising Directors who are duly authorised and appointed by the Board pursuant to the rules of the Plan be and is hereby authorised:
  - (i) to administer the Plan; and
  - (ii) to modify and/or amend the Plan from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Plan and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Plan; and
- (c) the Directors of the Company be and are hereby authorised to grant awards in accordance with the provisions of the Plan and to allot and issue such number of fully paid Shares from time to time as may be required to be issued pursuant to the vesting of awards under the Plan provided always that the aggregate number of Shares to be issued pursuant to the Plan and all share awards or share options granted under any other schemes implemented by the Company (if any) shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.”

*(See Appendix)*

13. Proposed participation of Mr. Ng Yuk Wing, Philip, a controlling shareholder of the Company, in the Karin Performance Share Plan **(Resolution 12)**

“That the participation of Mr. Ng Yuk Wing Philip, a controlling shareholder, in the Karin Performance Share Plan be and is hereby approved.”

14. Proposed participation of Mr. Ng Mun Kit, Michael, a controlling shareholder of the Company, in the Karin Performance Share Plan **(Resolution 13)**

“That the participation of Mr. Ng Mun Kit, Michael, a controlling shareholder, in the Karin Performance Share Plan be and is hereby approved.”

## NOTICE OF ANNUAL GENERAL MEETING

15. Proposed participation of Mr. Ng Kin Wing, Raymond, a controlling shareholder of the **(Resolution 14)** Company, in the Karin Performance Share Plan

“That the participation of Mr. Ng Kin Wing, Raymond, a controlling shareholder, in the Karin Performance Share Plan be and is hereby approved.”

BY ORDER OF THE BOARD

Wong Chi Cheung, Clarence  
Chan Lai Yin  
Joint Company Secretaries

Singapore, 8 October 2020

### ***Explanatory Notes on Businesses to be Transacted:-***

1. Mr. Lawrence Kwan, if re-elected, will remain as Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee and Nominating Committee. Mr. Lawrence Kwan will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the detailed information of Mr. Lawrence Kwan who is seeking re-election at the Annual General Meeting can be found under “Supplemental Information on Directors seeking re-election or appointment”.
2. Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, detailed information of Mr. Kuan Cheng Tuck who is proposed to be appointed as a Director of the Company can be found under “Supplemental of Information on Directors seeking re-election or appointment”.
3. Resolution 7, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company. The aggregate number of Shares (including any Shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed 50% of the Company’s total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed 20% of Company’s total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue Shares pursuant to any Instrument made or granted under this authority.
4. Resolution 8, if passed, will empower the Directors of the Company to offer and grant options under the Scheme and to allot and issue shares pursuant to the exercise of such options under the Scheme not exceeding 15 percent of the total number of issued shares (excluding treasury Shares and subsidiary holdings) in the capital of the Company from time to time.
5. Resolution 10, if passed, will empower the Directors, from the date of the above meeting until the next Annual General Meeting, to repurchase Shares by way of Market Purchases or Off-Market Purchases of up to 10% of the issued ordinary share capital of the Company at such price up to the Maximum Price. Information relating to this proposed resolution is set out in the appendix attached to the annual report.

## NOTICE OF ANNUAL GENERAL MEETING

### RECORD DATE

Subject to approval of members at the Annual General Meeting, the Register of Members and Share Transfer Books of Karin Technology Holdings Limited (the “**Company**”) will be closed on 3 November 2020, for the preparation of dividend warrants to the proposed final dividend of HK4.6 cents for the financial year ended 30 June 2020 (“**Final Dividend**”).

Duly completed registrable transfers in respect of the shares in the Company received up to 5:00 p.m. on 2 November 2020 (“**Record Date**”) 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 the Final 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 the Record Date will be entitled to the Final Dividend.

The Proposed Final Dividend, if approved at the Annual General Meeting, will be paid on 19 November 2020.

#### Notes:

1. The Annual General Meeting (“**AGM**”) is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the Company’s website at the URL <https://karingroup.com/2020agm/>. This Notice will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person.** Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the Company’s announcement dated 8 October 2020. This notice may be accessed at the Company’s website at the URL <https://karingroup.com/2020agm/> and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. For the avoidance of doubt, the aforesaid section is circulated together with and forms part of this Notice of AGM.
3. The Chairman of the AGM, as proxy, need not be a member of the Company.
4. A shareholder of the Company or their corporate representatives (in the case of a member which is a legal entity) will be able to watch or listen to the proceedings of the AGM through a “live” webcast via mobile phone, tablet or computer (“**Live Webcast**”). In order to do so, the member must pre-register by 10.00 a.m. on 20 October 2020 (“**Registration Deadline**”), at the URL <https://agm.conveneagm.com/karinagm2020> (“**AGM Website**”), to create an account.
5. A member of the Company (whether individual or corporate and including a Relevant Intermediary\*) must appoint the Chairman of the AGM in as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM, if such member wishes to exercise his/her/its voting rights at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate and including a Relevant Intermediary\*) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
6. CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent, Banks or SRS Operators to submit their votes at least 7 working days before the AGM (i.e. by 10:00 a.m. on 13 October 2020).

## NOTICE OF ANNUAL GENERAL MEETING

7. Shareholders (including Relevant Intermediary\*) who wish to vote on any or all of the resolutions at the AGM must submit a proxy form to appoint the Chairman of the Meeting as their proxy to do so on their behalf.
8. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
  - (a) in the electronic format accessible on the AGM Website;
  - (b) if submitted by post, be lodged with the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), at 80 Robinson Road #11-02, Singapore 068898; or
  - (c) if submitted electronically, be submitted via email to the Company's Share Registrar at [sg.is.proxy@sg.tricorglobal.com](mailto:sg.is.proxy@sg.tricorglobal.com),

in either case, by no later than 10.00 a.m. on 20 October 2020, being 72 hours before the time fixed for the AGM.

In the case of submission of the Proxy Form other than via the AGM Website, a member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically.

**"Relevant Intermediary"** means:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

### PERSONAL DATA PRIVACY:

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.



## SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION OR APPOINTMENT

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the supplemental information relating to the retiring director, Mr. Lawrence Kwan and appointment of new director, Mr. Kuan Cheng Tuck as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is append below:

	<b>Mr. Lawrence Kwan</b>	<b>Mr. Kuan Cheng Tuck</b>
Date of Appointment	13 July 2012	Annual General Meeting in 2020
Date of last re-appointment	20 October 2017	Not applicable
Age	73	48
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr. Lawrence Kwan for re-appointment as Independent Director of the Company. The Board have reviewed and concluded that Mr. Lawrence Kwan possess the experience, expertise, knowledge and skills that will continue to contribute towards the core competencies of the Board.	The Board of Directors of Karin Technology Holdings Limited (the " <b>Company</b> ") having reviewed and considered, among others, the qualifications, working experience and expertise of Mr. Kuan Cheng Tuck, was of the view that Mr. Kuan Cheng Tuck will be able to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director, Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee and Nominating Committee	Independent Director

## SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION OR APPOINTMENT

	<b>Mr. Lawrence Kwan</b>	<b>Mr. Kuan Cheng Tuck</b>
Professional qualifications	<ul style="list-style-type: none"> <li>• Fellow of the Institute of Chartered Secretaries and Administrators, United Kingdom (ICSA)</li> <li>• Fellow of the Chartered Secretaries Institute of Singapore (CSIS)</li> <li>• Graduate member of the Australian Institute of Directors</li> <li>• Master of Business Administration degree from the University of East London, United Kingdom.</li> <li>• Member of the Singapore Institute of Directors</li> </ul>	<ul style="list-style-type: none"> <li>• Fellow member of the Association of Chartered Certified Accountants (ACCA), UK</li> <li>• Member of the Institute of Singapore Chartered Accountants (ISCA)</li> <li>• Associate member of the Chartered Secretaries Institute of Singapore (CSIS)</li> <li>• Advocate and Solicitor (Singapore)</li> <li>• Member of the Singapore Institute of Directors</li> </ul>
Working experience and occupation(s) during the past 10 years	<p>2006 to present: Consultant of ACT Management Services Pte Ltd</p> <p>2007 to 2011: Associate Director of Tricor Evatthouse Corporate Services</p> <p>2005 to 2013: Associate Director/ Owner of HIM Governance Pte Ltd</p>	<p>Director of KCT Consulting Pte. Ltd. (from 2004 to present) (specializing mainly in corporate advisory, financial reporting and corporate governance matters)</p>
Shareholding interest in the listed issuer and its subsidiaries	NIL	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

## SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION OR APPOINTMENT

	<b>Mr. Lawrence Kwan</b>	<b>Mr. Kuan Cheng Tuck</b>
Past (for the last 5 years)	<ul style="list-style-type: none"> <li>• Actinon Pte. Ltd.</li> <li>• Afriscot Commodities Pte. Ltd.</li> <li>• Anergy Pte. Ltd.</li> <li>• Anval International Pte. Ltd.</li> <li>• Bray Controls Southeast Asia Pte. Ltd.</li> <li>• Dragonfly Pte. Ltd.</li> <li>• Extractive Capital Pte. Ltd.</li> <li>• Hunter Bay Technologies Pte. Ltd.</li> <li>• Mazdean Pte. Ltd. (Company strike off)</li> <li>• Petrus Oil and Gas International Trade Pte. Ltd.</li> <li>• Prometheus Advisory Pte. Ltd.</li> <li>• Reliance Big Entertainment (SG) Pte. Ltd.</li> <li>• Riskcare Pte. Ltd.</li> <li>• Sinova Medical Technologies Pte. Ltd.</li> <li>• Tennant Packaging Corporation SG Pte. Ltd.</li> <li>• Top Iron Pte. Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Independent director of Green Build Technology Limited (listed on SGX-ST)</li> <li>• Independent non-executive director of CW Group Holdings Limited (listed on HKEx)</li> <li>• Independent director of China Star Food Group Limited (listed on SGX-ST)</li> </ul>
Present	<ul style="list-style-type: none"> <li>• 052462 Pte. Ltd.</li> <li>• Emakina Asia Pte. Ltd.</li> <li>• Emakina.sg Pte. Ltd.</li> <li>• EOS IT Management Solutions (SG) Pte. Ltd.</li> <li>• iSURVEY Pte. Ltd.</li> <li>• Magna Tyres Singapore Pte. Ltd.</li> <li>• Nelson Marine Pte. Ltd.</li> <li>• Peak Scientific Singapore Pte. Ltd.</li> <li>• Petra Consulting Pte. Ltd.</li> <li>• Rebound Singapore Pte. Ltd.</li> <li>• Reliance Natural Resources (SG) Pte. Ltd.</li> <li>• Sailpoint Technologies Pte. Ltd.</li> <li>• Singfert Pte. Ltd.</li> <li>• Vinmar Overseas (SG) Pte. Ltd.</li> <li>• Centre for Corporate Management &amp; Development Pte. Ltd.</li> <li>• SBI Offshore Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• Independent director of CNMC Goldmine Holdings Limited (listed on SGX-ST)</li> <li>• Independent director of Kori Holdings Limited (listed on SGX-ST)</li> <li>• Director of KCT Consulting Pte. Ltd.</li> </ul>

## SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION OR APPOINTMENT

### INFORMATION REQUIRED

	Mr. Lawrence Kwan	Mr. Kuan Cheng Tuck
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	Mr. Kuan was a former independent non-executive director (“INED”) of CW Group Holdings Limited (“CWG”), a company listed on the Hong Kong Stock Exchange. He resigned as an INED of CWG on 9 November 2018. CWG was placed in provisional liquidation in or around August 2018.
c) Whether there is any unsatisfied judgment against him?	No	No
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

## SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION OR APPOINTMENT

	Mr. Lawrence Kwan	Mr. Kuan Cheng Tuck
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

## SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION OR APPOINTMENT

	Mr. Lawrence Kwan	Mr. Kuan Cheng Tuck
<p>j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–</p> <p>i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</p> <p>iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	No	No
<p>k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</p>	No	No
<b>Disclosure applicable to the appointment of Director only</b>		
<p>Any prior experience as a director of a listed company?</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	Not applicable	<p>Yes</p> <p>See above</p>



**Karin Technology  
Holdings Limited**



Karin Technology Holdings Limited  
2nd Floor, Karin Building, 166 Wai Yip Street  
Kwun Tong, Kowloon, Hong Kong  
Tel: (852) 2763 3188 / (852) 2389 8252  
Fax: (852) 2372 6389  
[www.karingroup.com](http://www.karingroup.com)