



嘉靈控股集團有限公司

Karin Technology Holdings Limited

(Incorporated in Bermuda on 30 August 2002)

(Company Registration Number 32514)

Full Year Financial Statements And Dividend Announcement
for the Year Ended 30 June 2016

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

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

Group full year financial statements for the year ended 30 June 2016. These figures have not been audited.

Group Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Group		
	2016	2015	% increase/ (decrease)
	HK\$'000	HK\$'000	
REVENUE	2,237,932	3,243,374	(31.0)
Cost of sales	<u>(2,058,137)</u>	<u>(2,964,437)</u>	(30.6)
Gross profit	179,795	278,937	(35.5)
Other income and gains, net	5,756	4,594	25.3
Selling and distribution costs	(64,402)	(82,952)	(22.4)
Administrative expenses	(93,377)	(96,840)	(3.6)
Other expenses, net	(6,015)	(3,282)	83.3
Finance costs	(2,258)	(1,939)	16.5
Share of profit of an associate	<u>654</u>	<u>294</u>	122.4
PROFIT BEFORE TAX	20,153	98,812	(79.6)
Income tax expense	<u>(9,055)</u>	<u>(18,650)</u>	(51.4)
PROFIT FOR THE YEAR	<u>11,098</u>	<u>80,162</u>	(86.2)

Group Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016 (continued)

	Group		
	2016	2015	% increase/ (decrease)
	HK\$'000	HK\$'000	
PROFIT FOR THE YEAR	<u>11,098</u>	<u>80,162</u>	(86.2)
OTHER COMPREHENSIVE INCOME:			
Item to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	(12,651)	1,490	(949.1)
Item not to be reclassified to profit or loss in subsequent periods:			
Revaluation of land and buildings, net of deferred tax	<u>63,220</u>	<u>35,713</u>	77.0
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>50,569</u>	<u>37,203</u>	35.9
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>61,667</u></u>	<u><u>117,365</u></u>	(47.5)
Profit for the year attributable to:			
Owners of the Company	13,651	62,877	(78.3)
Non-controlling interests	(<u>2,553</u>)	<u>17,285</u>	(114.8)
	<u><u>11,098</u></u>	<u><u>80,162</u></u>	(86.2)
Total comprehensive income attributable to:			
Owners of the Company	64,364	99,910	(35.6)
Non-controlling interests	(<u>2,697</u>)	<u>17,455</u>	(115.5)
	<u><u>61,667</u></u>	<u><u>117,365</u></u>	(47.5)

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

	Group	
	2016	2015
	HK\$'000	HK\$'000
Cost of inventories sold	1,939,770	2,876,900
Cost of services provided	115,468	90,766
Write-down of inventories/(reversal of write-down) to net realisable value and write-off of obsolete inventories	2,899	(3,229)
Depreciation	40,382	36,856
Operating lease rentals in respect of land and buildings	8,946	10,341
Auditors' remuneration	1,480	1,500
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	85,133	102,246
Pension scheme contributions	7,142	7,308
Expense recognised in respect of treasury shares awarded	2,978	-
	<u>95,253</u>	<u>109,554</u>
Impairment of trade receivables	1,828	2,336
Directors' remuneration:		
Fees	751	710
Other emoluments	6,684	9,436
	<u>7,435</u>	<u>10,146</u>
Bank interest income	(781)	(1,120)
Gross rental income	(1,650)	(1,495)
Fair value loss on revaluation of land and buildings	22	921
Fair value (gains)/losses on investment properties	(1,116)	202
Fair value gain on financial asset at fair value through profit or loss	(401)	-
Fair value losses on derivative financial instruments, net	462	217
Foreign exchange differences, net	1,997	224
Operating lease rentals in respect of land and buildings	8,946	10,341
Loss on disposal of a subsidiary	1,807	-
Loss on disposal of items of property, plant and equipment	5	88

The Group's tax charge is as follows:

	Group	
	2016	2015
	HK\$'000	HK\$'000
Current		
Charge for the year	9,031	19,560
Under/(over)provision in prior years	134	(74)
	<u>9,165</u>	<u>19,486</u>
Deferred	(110)	(836)
Total tax expenses for the year	<u>9,055</u>	<u>18,650</u>

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

	Group		Company	
	30 June 2016 HK\$'000	30 June 2015 HK\$'000	30 June 2016 HK\$'000	30 June 2015 HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	458,643	402,634	-	-
Investment properties	30,071	23,433	-	-
Goodwill	2,098	2,098	-	-
Investments in subsidiaries	-	-	76,308	76,308
Investment in an associate	1,148	797	-	-
Financial asset at fair value through profit or loss	2,401	-	-	-
Deferred tax assets	1,649	971	-	-
Factored trade receivables	2,850	532	-	-
Prepayments	598	598	-	-
Trade receivable	9,106	-	-	-
Total non-current assets	<u>508,564</u>	<u>431,063</u>	<u>76,308</u>	<u>76,308</u>
CURRENT ASSETS				
Inventories	194,016	213,013	-	-
Trade and bills receivables	370,082	410,500	-	-
Factored trade receivables	1,566	532	-	-
Prepayments, deposits and other receivables	86,918	53,456	-	-
Amounts due from subsidiaries	-	-	48,755	50,178
Forward currency contracts	347	809	-	-
Income tax recoverable	17	-	17	-
Cash and cash equivalents	34,148	138,627	1,322	1,305
Total current assets	<u>687,094</u>	<u>816,937</u>	<u>50,094</u>	<u>51,483</u>
CURRENT LIABILITIES				
Trade payables	201,593	230,970	-	-
Other payables and accruals	91,690	130,573	1,166	3,434
Income tax payable	10,145	18,865	-	-
Interest-bearing bank and other borrowings	141,121	142,396	-	-
Total current liabilities	<u>444,549</u>	<u>522,804</u>	<u>1,166</u>	<u>3,434</u>
NET CURRENT ASSETS	<u>242,545</u>	<u>294,133</u>	<u>48,928</u>	<u>48,049</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>751,109</u>	<u>725,196</u>	<u>125,236</u>	<u>124,357</u>
NON-CURRENT LIABILITIES				
Other borrowings	2,888	1,246	-	-
Deferred tax liabilities	70,823	57,462	-	-
Total non-current liabilities	<u>73,711</u>	<u>58,708</u>	<u>-</u>	<u>-</u>
Net assets	<u>677,398</u>	<u>666,488</u>	<u>125,236</u>	<u>124,357</u>

	Group		Company	
	30 June 2016 HK\$'000	30 June 2015 HK\$'000	30 June 2016 HK\$'000	30 June 2015 HK\$'000
EQUITY				
Equity attributable to owners of the Company				
Issued capital	21,446	21,441	21,446	21,441
Treasury shares	(19)	(888)	(19)	(888)
Reserves	657,823	623,287	103,809	103,804
	679,250	643,840	125,236	124,357
Non-controlling interests	(1,852)	22,648	-	-
Total equity	<u>677,398</u>	<u>666,488</u>	<u>125,236</u>	<u>124,357</u>

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

Amount repayable in one year or less, or on demand

As at 30 June 2016		As at 30 June 2015	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
161	140,960	155	142,241

Amount repayable after one year

As at 30 June 2016		As at 30 June 2015	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
302	2,586	468	778

Details of any collateral

The above unsecured bank and other borrowings of HK\$143,546,000 and HK\$143,019,000 included bank borrowings of HK\$139,403,000 and HK\$140,709,000 which were covered by cross guarantees given by the Company and certain of its subsidiaries as at 30 June 2016 and 30 June 2015 respectively.

The finance lease obligations of HK\$463,000 and HK\$623,000 were secured by the underlying assets acquired as at 30 June 2016 and 30 June 2015 respectively.

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

	Group	
	30 June 2016	30 June 2015
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	20,153	98,812
Adjustments for:		
Bank interest income	(781)	(1,120)
Fair value (gains)/losses on investment properties	(1,116)	202
Fair value loss on revaluation of land and buildings	22	921
Write-down/(reversal of write-down) of inventories to net realisable value and write-off of obsolete inventories	2,899	(3,229)
Depreciation	40,382	36,856
Loss on disposal of a subsidiary	1,807	-
Fair value losses on derivative financial instruments, net	462	217
Fair value gain on financial asset at fair value through profit or loss	(401)	-
Impairment of trade receivables	1,828	2,336
Loss on disposal of items of property, plant and equipment	5	88
Finance costs	2,258	1,939
Expense recognised in respect of treasury shares awarded	2,978	-
Share of profit of an associate	(654)	(294)
	69,842	136,728
Decrease/(increase) in inventories	14,394	(50,850)
Decrease/(increase) in trade and bills receivables	29,372	(53,935)
Decrease/(increase) in factored trade receivables	(3,352)	1,308
Increase in prepayments, deposits and other receivables	(18,688)	(7,766)
Increase/(decrease) in trade payables	(28,607)	82,183
Increase/(decrease) in other payables and accruals	(37,586)	42,361
Cash generated from operations	25,375	150,029
Interest on bank and other borrowings paid	(2,232)	(1,906)
Interest element on finance lease rental payments	(26)	(33)
Dividends paid to owners of the Company	(29,972)	(35,132)
Dividends paid to a non-controlling shareholder	(4,800)	(9,200)
Income tax paid	(11,448)	(12,661)
Net cash flows (used in)/from operating activities	(23,103)	91,097

	Group	
	30 June 2016	30 June 2015
	HK\$'000	HK\$'000
Net cash flows (used in)/from operating activities	(23,103)	91,097
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of items of property, plant and equipment	237	285
Purchases of items of property, plant and equipment	(29,027)	(19,354)
Purchases of an investment property	(7,338)	-
Purchases of financial asset through profit or loss	(2,000)	-
Prepayment for leasehold improvement	-	(598)
Cash disposed of in disposal of a subsidiary	(39,379)	-
Interest received	781	1,120
Decrease in time deposits with maturity of more than three months when acquired	4,842	2,796
Net cash flows used in investing activities	(71,884)	(15,751)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of employee share options	44	814
Purchase of treasury shares	(2,004)	(529)
New bank and other borrowings	1,189,101	2,069,814
Repayment of bank and other borrowings	(1,188,140)	(2,097,120)
Capital element of finance lease rental payments	(155)	(147)
Capital contribution by non-controlling shareholders	-	2,000
Net cash flows used in financing activities	(1,154)	(25,168)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(96,141)	50,178
Cash and cash equivalents at beginning of financial year	133,785	82,762
Effect of foreign exchange rate changes, net	(3,496)	845
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u>34,148</u>	<u>133,785</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	30,210	104,937
Time deposits	3,938	33,690
Cash and cash equivalents as stated in the consolidated statement of financial position	34,148	138,627
Non-pledged time deposits with original maturity of more than three months when acquired	-	(4,842)
Cash and cash equivalents as stated in the consolidated statement of cash flows	<u>34,148</u>	<u>133,785</u>

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

The Group

	Attributable to owners of the Company											
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2014	21,356	(359)	44,387	898	442	223,007	2,752	11,456	274,838	578,777	12,393	591,170
Total comprehensive income for the year	-	-	-	-	-	35,713	-	1,320	62,877	99,910	17,455	117,365
Issue of shares under the Scheme	85	-	1,037	-	(308)	-	-	-	-	814	-	814
Purchase of own shares and held as treasury shares	-	(529)	-	-	-	-	-	-	-	(529)	-	(529)
Capital contribution by a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	2,000	2,000
Final 2014 dividend paid	-	-	-	-	-	-	-	-	(16,709)	(16,709)	-	(16,709)
Interim 2015 dividend paid	-	-	-	-	-	-	-	-	(18,423)	(18,423)	-	(18,423)
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	(9,200)	(9,200)
Transfer between reserves of an associate	-	-	-	-	-	-	32	-	(32)	-	-	-
At 30 June 2015	<u>21,441</u>	<u>(888)</u>	<u>45,424</u>	<u>898</u>	<u>134</u>	<u>258,720</u>	<u>2,784</u>	<u>12,776</u>	<u>302,551</u>	<u>643,840</u>	<u>22,648</u>	<u>666,488</u>

The Group

	Attributable to owners of the Company											
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2015	21,441	(888)	45,424	898	134	258,720	2,784	12,776	302,551	643,840	22,648	666,488
Total comprehensive income for the year	-	-	-	-	-	63,220	-	(12,507)	13,651	64,364	(2,697)	61,667
Issue of shares under the Scheme	5	-	58	-	(19)	-	-	-	-	44	-	44
Purchase of own shares and held as treasury shares	-	(2,004)	-	-	-	-	-	-	-	(2,004)	-	(2,004)
Distribution of treasury shares	-	2,873	105	-	-	-	-	-	-	2,978	-	2,978
Final 2015 dividend paid	-	-	-	-	-	-	-	-	(19,297)	(19,297)	-	(19,297)
Interim 2016 dividend paid	-	-	-	-	-	-	-	-	(10,675)	(10,675)	-	(10,675)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(17,003)	(17,003)
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	(4,800)	(4,800)
Transfer between reserves of an associate	-	-	-	-	-	-	42	-	(42)	-	-	-
At 30 June 2016	<u>21,446</u>	<u>(19)</u>	<u>45,587</u>	<u>898</u>	<u>115</u>	<u>321,940</u>	<u>2,826</u>	<u>269</u>	<u>286,188</u>	<u>679,250</u>	<u>(1,852)</u>	<u>677,398</u>

The Company

	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 July 2014	21,356	(359)	44,387	36,311	442	21,817	123,954
Profit for the year and total comprehensive income for the year	-	-	-	-	-	35,250	35,250
Issue of shares under the Scheme	85	-	1,037	-	(308)	-	814
Purchase of own shares and held as treasury shares	-	(529)	-	-	-	-	(529)
Final 2014 dividend paid	-	-	-	-	-	(16,709)	(16,709)
Interim 2015 dividend paid	-	-	-	-	-	(18,423)	(18,423)
At 30 June 2015 and at 1 July 2015	21,441	(888)	45,424	36,311	134	21,935	124,357
Profit for the year and total comprehensive income for the year	-	-	-	-	-	29,833	29,833
Issue of shares under the Scheme	5	-	58	-	(19)	-	44
Purchase of own shares and held as treasury shares	-	(2,004)	-	-	-	-	(2,004)
Distribution of treasury shares	-	2,873	105	-	-	-	2,978
Final 2015 dividend paid	-	-	-	-	-	(19,297)	(19,297)
Interim 2016 dividend paid	-	-	-	-	-	(10,675)	(10,675)
At 30 June 2016	<u>21,446</u>	<u>(19)</u>	<u>45,587</u>	<u>36,311</u>	<u>115</u>	<u>21,796</u>	<u>125,236</u>

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

As at 1 July 2015, the Company held 500,000 (1 July 2014: 194,000) treasury shares. During the year ended 30 June 2016, pursuant to the 2009 Share Buyback mandate, the Company had purchased 1,312,000 (30 June 2015: 306,000) of its own shares (the “Shares”) and holds such Shares as treasury shares. All the 1,312,000 (30 June 2015: 306,000) Shares were market purchases with the highest and lowest purchase price per share paid by the Company of S\$0.270 and S\$0.275 (Year ended 30 June 2015: the highest purchase price per share at S\$0.330 and the lowest purchase price per share at S\$0.300), respectively, amounting to an aggregate purchase price of S\$357,000 (30 June 2015: S\$94,000) equivalent to HK\$2,004,000 (30 June 2015: HK\$529,000). As at 30 June 2016, the Company held 12,000 (30 June 2015: 500,000) treasury shares.

During the year ended 30 June 2016, the Company issued 50,000 (30 June 2015: 850,000) new shares, upon the exercise of options under the Karin Employee Share Option Scheme.

	During the year ended 30 June 2016			During the year ended 30 June 2015		
Exercise price per share	S\$0.1264	S\$0.1608	S\$0.1060	S\$0.1264	S\$0.1608	S\$0.1060
Number of new shares issued	-	50,000	-	100,000	750,000	-

As at 30 June 2016, the Company’s share capital was HK\$21,446,000 (30 June 2015: HK\$21,441,000) comprising 214,460,000 (30 June 2015: 214,410,000) ordinary shares.

The share options outstanding as at 30 June 2016 was 300,000 (30 June 2015: 350,000) which could be convertible to 300,000 (30 June 2015: 350,000) ordinary shares of the Company upon exercise.

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

Total number of issued shares excluding treasury share as at 30 June 2016 was 214,448,000 (30 June 2015: 213,910,000).

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

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

Save for these, there were no sales, transfers, disposal, cancellation nor use of treasury shares during year under review.

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the year ended 30 June 2016 as compared with the audited financial statements of the Group for the year ended 30 June 2015.

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

There are no revised and new accounting standards and interpretations to be adopted by the Group for the first time for the current year's financial statements.

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

The Group

	30 June 2016	30 June 2015
Earnings per ordinary share of the Group, after deducting any provision for preference dividends (in HK cents):		
- Based on weighted average number of ordinary shares on issue (HK cents)	<u>6.4</u>	<u>29.4</u>
- On a fully diluted basis (HK cents)	<u>6.4</u>	<u>29.4</u>
Profit attributable to the owners of the Company for earnings per share (HK\$'000)	<u>13,651</u>	<u>62,877</u>

The calculation of basic earnings per share for the years ended 30 June 2016 and 2015 is based on the profit attributable to the ordinary shareholders of the Company for the respective years and the weighted average of 214,222,748 and 213,935,026 ordinary shares in issue, respectively, which has taken into account the effect of treasury shares.

The calculation of the diluted earnings per share amount is based on the profit attributable to ordinary shareholders of the Company for the respective years and 214,391,626 (2015: 214,134,219) ordinary shares, which was the weighted average of 214,222,748 (2015: 213,935,026) ordinary shares in issue during the year ended 30 June 2016, and the weighted average of 168,878 (2015: 199,193) ordinary shares deemed to have been issued at no consideration on the deemed exercise of all outstanding share options during the year under review.

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

	<u>Group</u>		<u>Company</u>	
	As at 2016	As at 2015	As at 2016	As at 2015
Net asset value per ordinary share (HK cents)	315.9	311.6	58.4	58.1

Net asset value per ordinary share as at 30 June 2016 and 30 June 2015 was calculated based on the issued share capital excluding treasury shares of 214,448,000 and 213,910,000 ordinary shares as at 30 June 2016 and 30 June 2015 respectively.

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

Profit and Loss

Revenue

Consolidated revenue of the Group decreased by approximately HK\$1,005.5 million or 31.0% from HK\$3,243.4 million for the year ended 30 June 2015 to HK\$2,237.9 million for the year ended 30 June 2016.

Revenue from our Components Distribution ("CD") segment decreased by HK\$54.2 million or 5.9%, from HK\$920.0 million for the year ended 30 June 2015 to HK\$865.8 million for the year under review. The decrease was mostly due to slow down in demand for certain electronic components for smart phones and certain industrial materials and instrumentation related infrastructure projects in the second half of the year under review.

Revenue from our Information Technology Infrastructure ("IT Infrastructure") segment increased by HK\$6.8 million or 0.7%, from HK\$908.6 million for the year ended 30 June

2015 to HK\$915.4 million for the current year. Immaterial change in revenue was due to demand for enterprise software and hardware products as well as security products during the year under review was very much the same as that in last year.

Revenue from our Consumer Electronics Products (“CEP”) segment decreased by HK\$958.0 million or 67.7%, from HK\$1,414.8 million for the year ended 30 June 2015 to HK\$456.8 million for the current year. The decrease was mainly due to over supply of certain newly released CEP products during the year under review which led to fierce competition in the market. Moreover, the increase in the number of Apple flagship stores in Hong Kong negatively impacted our retail stores’ business during the year under review. As such, the retail arm, KCF A Store Limited, had been disposed off on 30 June 2016.

Gross profit

Gross profit decreased by HK\$99.1 million or 35.5%, from HK\$278.9 million for the year ended 30 June 2015 to HK\$179.8 million for the year ended 30 June 2016. The decrease in gross profit was mainly due to the corresponding decrease in revenue. The slight decrease in gross profit margin was due to the fierce competition of certain newly released CEP products as explained above.

Other income and gains, net

Other income and gains, net increased by HK\$1.2 million or 26.1%, from HK\$4.6 million for the year ended 30 June 2015 to HK\$5.8 million for the year ended 30 June 2016. The increase was mostly due to (1) fair value gain on investment properties in Shanghai of HK\$1.1 million; and (2) fair value gain on financial asset at fair value through profit or loss of HK\$0.4 million and offset by decrease in bank interest income of HK\$0.3 million.

Selling and distribution costs

Selling and distribution costs decreased by HK\$18.6 million or 22.4%, from HK\$83.0 million for the year ended 30 June 2015 to HK\$64.4 million for the year ended 30 June 2016. The decrease was mainly due to (1) decrease in salary, bonus and commission totally HK\$15.2 million for sales staff because of decrease in sales during the year under review; (2) decrease in rent and rates of HK\$1.6 million due to decrease in number of retail shops; and (3) decrease in bank charge of HK\$1.0 million due to decrease in sales during the current year.

Administrative expenses

Administrative expenses decreased by HK\$3.4 million or 3.5%, from HK\$96.8 million for the year ended 30 June 2015 to HK\$93.4 million for the year ended 30 June 2016. The decrease was mainly due to decrease in staff salary and bonus, net of HK\$7.1 million due to decrease in profit and offset by (1) increase in depreciation of HK\$3.0 million due to revaluation gain on leasehold land and buildings in last year; and (2) increase in PRC value added tax paid of HK\$1.0 million.

Other expenses, net

Other expenses, net increased by HK\$2.7 million, from HK\$3.3 million for the year ended 30 June 2015 to HK\$6.0 million for the year ended 30 June 2016. The change was mainly due to (1) loss on disposal of a subsidiary of HK\$1.8 million; and (2) increase in

exchange losses of HK\$1.7 million due to devaluation of Renminbi during the year under review and offset by HK\$0.9 million fair value losses on land and building recorded in last year did not recur this year.

Finance costs

Finance costs increased by HK\$0.4 million or 21.1%, from HK\$1.9 million for the year ended 30 June 2015 to HK\$2.3 million. The increase was mainly due to prompt payment discount provided to a customer in the PRC for early settlement of debts in order to minimise credit risk.

Income tax expense

Relatively high income tax expense rate at 44.9% (30 June 2015: 18.9%) during the year under review was mostly due to (1) loss on certain subsidiaries reduced consolidated profit before tax but not reduced consolidated income tax expense; and (2) opening inventories in Renminbi in PRC subsidiaries were translated into Hong Kong dollar at historical exchange rate on 30 June 2015 which was before the depreciation of Renminbi against Hong Kong dollar. The high opening exchange rate reduced consolidated profit before tax but did not reduce consolidated income tax expense which was based on monthly average exchange rate.

Net Profit

Net profit attributable to owners of the Company decreased by HK\$49.2 million or 78.3%, from HK\$62.9 million for the year ended 30 June 2015 to HK\$13.7 million for the year ended 30 June 2016. The decrease was mostly due to decrease in revenue 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\$488.7 million; investment in an associate of HK\$1.1 million; prepayment for office renovation of HK\$0.6 million; a factored trade receivable of HK\$2.9 million; a trade receivable of HK\$9.1 million; financial asset at fair value through profit or loss of HK\$2.4 million and deferred tax assets of HK\$1.6 million. At 30 June 2016, non-current assets amounted to HK\$508.6 million, representing approximately 42.5% of the total assets. Increase in non-current assets from last year was mainly due to the increase in office equipment, leasehold land and buildings of HK\$56.0 million which was in turn due to fair value gains on revaluation of land and buildings and investment properties.

Current assets

As at 30 June 2016, current assets amounted to HK\$687.1 million, a decrease of HK\$129.8 million compared to the immediately preceding financial year end at 30 June 2015. The decrease was mostly due to (1) decrease in cash and cash equivalents by HK\$104.5 million which was mainly due to lower cash flow generated from decrease in businesses of CEP segment; (2) decrease in inventories of HK\$19.0 million as a result of decrease in business of CEP segment; and (3) decrease in trade and bills receivables of HK\$40.4 million which was in line with decrease in revenue for the year under review and offset by increase in prepayment and other receivables of HK\$33.5 million. Increase in prepayment and other receivables was mostly due to (a) prepayments to certain vendors for certain projects totally HK\$16.3 million and (b) HK\$17.7 million receivable for the disposal of a subsidiary on 30 June 2016.

Current liabilities

As at 30 June 2016, current liabilities amounted to approximately HK\$444.5 million, a decrease of HK\$78.3 million compared to the immediately preceding financial year end as at 30 June 2015. The decrease was mainly due to decrease in other payables and accruals of HK\$38.9 million which was mostly due to (1) decrease in directors and staff bonus provision of HK\$11.9 million due to decrease in profit and (2) no more payments in advance from customers for any projects as what we had in last year.

Non-current liabilities

Non-current liabilities amounted to HK\$73.7 million, representing 14.2% of the total liabilities as at 30 June 2016. The amount mainly comprised of deferred tax liabilities. Deferred tax liabilities were recognised as a result of temporary differences between the carrying amounts and tax bases of our land and buildings and investment properties.

Liquidity and cash flow

As at 30 June 2016, cash and cash equivalents amounted to HK\$34.1 million. Total interest bearing loans and borrowings as at 30 June 2016 were HK\$141.1 million and the gearing ratio which is defined as total borrowings and finance leases to shareholders' funds, is 0.21 times (30 June 2015: 0.22 times).

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

Not applicable.

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

Demand for certain electronic components for smart phones and wireless application devices is expected to grow industry wide. Infrastructure projects in relation to power supply and power charging station under the Industrial Materials & Instrumentation division are also expected to pick up gradually.

It is anticipated that demand for network security products and enterprise software products will grow moderately. The Group will continue to take advantage of our reputation in the industry to secure more distributorship rights to widen the range of our products.

After the disposal of KCF A Store Limited, it is not expected the CEP segment will be able to fill the revenue and profit shortfalls in the near future even though the Group has been adding various prestige consumer electronics products into its product mix.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

Yes.

At the Annual General Meeting (“AGM”) to be held, a tax not applicable final dividend of HK11.8 cents per share amounting to a total of HK\$25,306,000 will be recommended at the forthcoming AGM.

Name of dividend	Interim (paid)	Final
Dividend type	Cash	Cash
Dividend amount per share (in HK cents)	5.0 cents per share	11.8 cents per share
Par value of share (in HK cents)	10 cents per share	10 cents per share
Tax rate	Not applicable	Not applicable

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Yes.

Name of dividend	Interim	Final
Dividend type	Cash	Cash
Dividend amount per share (in HK cents)	8.6 cents per share	9.0 cents per share
Par value of share (in HK cents)	10 cents per share	10 cents per share
Tax rate	Not applicable	Not applicable

(c) Date payable

17 November 2016

(d) Books closure date

The Register of Members and Share Transfer Books of the Company will be closed on 2 November 2016, for the purpose of determining Members' entitlements to final dividend of HK11.8 cents per ordinary share for the financial year ended 30 June 2016. Duly completed registrable transfers in respect of the shares in the Company received up to the close of business at 5.00 p.m. on 1 November 2016 by the Company's Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), 80 Robinson Road, #02-00, Singapore 068898 will be registered to determine Members' entitlements to such dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5.00 p.m. on 1 November 2016 will be entitled to such dividend.

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

Not applicable.

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

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

14. Negative confirmation pursuant to Rule 705(5). (Not required for announcement of full year results)

Not applicable.

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

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

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

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

SEGMENT INFORMATION

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 30 June 2016 and 2015.

	Components distribution HK\$'000	IT infrastructure HK\$'000	Consumer electronics products HK\$'000	Total HK\$'000
<u>Year ended 30 June 2016</u>				
Segment revenue	865,769	915,396	456,767	2,237,932
Segment results	(1,931)	28,515	(5,393)	21,191
<i>Reconciliation:</i>				
Bank interest income				781
Other income				1,650
Fair value gains on investment properties				1,116
Fair value gains on derivative financial instruments, net				(462)
Fair value gain on financial asset at fair value through profit or loss				401
Fair value loss on revaluation of land and buildings				(22)
Finance costs				(2,258)
Share of profit of an associate				654
Corporate and other unallocated expenses				(2,898)
Profit before tax				<u>20,153</u>
Segment assets	475,697	293,781	13,426	782,904
<i>Reconciliation:</i>				
Investment in an associate				1,148
Deferred tax assets				1,649
Financial asset at fair value through profit or loss				2,401
Forward currency contracts				347
Income tax recoverable				17
Cash and cash equivalents				34,148
Corporate and other unallocated assets				<u>373,044</u>
Total assets				<u>1,195,658</u>

	Components distribution HK\$'000	IT infrastructure HK\$'000	Consumer electronics products HK\$'000	Total HK\$'000
<u>Year ended 30 June 2016</u> (continued)				
Segment liabilities	90,810	173,585	6,789	271,184
<i>Reconciliation:</i>				
Income tax payable				10,145
Interest-bearing bank and other borrowings				144,009
Deferred tax liabilities				70,823
Corporate and other unallocated liabilities				22,099
Total liabilities				<u>518,260</u>
Other segment information:				
Depreciation				40,382
Other non-cash expenses, net	2,269	5,206	(2,748)	4,727
Capital expenditure				<u>36,365</u>
	Components distribution HK\$'000	IT infrastructure HK\$'000	Consumer electronics products HK\$'000	Total HK\$'000
<u>Year ended 30 June 2015</u>				
Segment revenue	920,018	908,556	1,414,800	3,243,374
Segment results	9,302	36,364	55,673	101,339
<i>Reconciliation:</i>				
Bank interest income				1,120
Other income				1,556
Fair value losses on investment properties				(202)
Fair value losses on derivative financial instruments, net				(217)
Fair value losses on revaluation of land and buildings				(921)
Finance costs				(1,939)
Share of profit of an associate				294
Corporate and other unallocated expenses				(2,218)
Profit before tax				<u>98,812</u>
Segment assets	557,961	236,314	134,389	928,664
<i>Reconciliation:</i>				
Investment in an associate				797
Deferred tax assets				917
Forward currency contracts				809
Cash and cash equivalents				138,627
Corporate and other unallocated assets				178,132
Total assets				<u>1,248,000</u>

	Components distribution HK\$'000	IT infrastructure HK\$'000	Consumer electronics products HK\$'000	Total HK\$'000
<u>Year ended 30 June 2015</u> (continued)				
Segment liabilities	143,394	141,322	42,209	326,925
<i>Reconciliation:</i>				
Income tax payable				18,865
Interest-bearing bank and other borrowings				143,642
Deferred tax liabilities				57,462
Corporate and other unallocated liabilities				34,618
Total liabilities				<u>581,512</u>
Other segment information:				
Depreciation				36,856
Other non-cash expenses, net	1,913	(3,278)	1,393	28
Capital expenditure				<u>26,438</u>

Geographical information

The following tables present revenue and certain asset information for the Group's geographical segments for the years ended 30 June 2016 and 2015.

	Hong Kong HK\$'000	Mainland China HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 30 June 2016				
Segment revenue	<u>1,535,128</u>	<u>549,271</u>	<u>153,533</u>	<u>2,237,932</u>
Non-current assets	<u>333,057</u>	<u>130,488</u>	<u>29,013</u>	<u>492,558</u>
Year ended 30 June 2015				
Segment revenue	<u>2,502,407</u>	<u>560,726</u>	<u>180,241</u>	<u>3,243,374</u>
Non-current assets	<u>293,962</u>	<u>134,751</u>	<u>847</u>	<u>429,560</u>

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

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

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

Please refer to note 8.

18. A breakdown of sales as follows:-

	Group		
	2016	2015	% increase/ (decrease)
	HK\$'000	HK\$'000	
(a) Sales reported for the first half year	1,262,156	1,545,110	(18.3)
(b) Operating profit after tax before deducting non-controlling interests reported for the first half year	5,628	31,776	(82.3)
(c) Sales reported for the second half year	975,776	1,698,264	(42.5)
(d) Operating profit after tax before deducting non-controlling interests reported for the second half year	8,023	31,101	(75.4)

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

	2016	2015
	HK\$'000	HK\$'000
Declared and paid during the year	10,675	18,423
Proposed final dividend	<u>25,306</u>	<u>19,297</u>
Total	<u><u>35,981</u></u>	<u><u>37,720</u></u>

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

Name	Age	Family relationship with any Director and/or substantial shareholder	Current position and duties, and the year position was held	Details of changes in duties and position held, if any, during the year
Mr Ng Yuk Wing, Philip	67	He is a brother of Ng Kin Wing, Raymond and Ng Kam Wing, Allan, Executive Chairman and Chief Technology Officer of the Group, respectively	He is the Senior Executive Director of the Group and is responsible for the overall strategic planning and business development of the Group. He is one of the founders of the Group since 1977.	N/A
Mr Ng Kin Wing, Raymond	66	He is a brother of Ng Yuk Wing, Philip and Ng Kam Wing, Allan, Senior Executive Director and Chief Technology Officer of the Group, respectively	He is the Executive Chairman and Chief Executive Officer of the Group and is responsible for overseeing the entire operations and general management of the Group. He is one of the founders of the Group since 1977.	N/A
Mr Ng Kam Wing, Allan	60	He is a brother of Ng Yuk Wing, Philip and Ng Kin Wing, Raymond, Senior Executive Director and Executive Chairman of the Group, respectively	He is the Chief Technology Officer of the Group and is responsible for the overall IT system control and development of ITSD of the Group. He joined the Group in October 2001.	N/A

BY ORDER OF THE BOARD

Ng Kin Wing, Raymond
Executive Chairman

25 August 2016