Karin Technology Holdings Limited

SMART CITY

ANNUAL REPORT 2018

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 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 for a variety of industries ranging from industrial automation to port and shipyard, offshore oil fields and petrochemical facilities, was acquired by our Group.

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.

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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 – FY18

Raymond NG
Executive Chairman and CEO,
Karin Group

FY18 was one of the most challenging years for the Karin Group since our incorporation. I am pleased that Karin remained profitable – a position we have maintained since our inception in 1977.

In FY18, Karin's revenue grew 7.8% to HK$2 billion and gross profit fell 2.0% to HK$162 million due to our decision to reinforce risk management and to focus on quality businesses and customers. Though selling and distribution costs and administrative expenses rose 8.1% and 11.0% to HK$65 million and HK$74 million respectively, Karin increased investments to enhance our technical and engineering capability to keep in step with the new age of cloud computing, electric vehicle, green energy and internet-of-things (IoT).

Looking ahead to FY19, and considering the uncertainty of the global economic environment, Karin has been undergoing a paradigm shift towards a new digital era and digital economy: application of disruptive technologies in information technology and electronic and electrical componentry sector. Our traditional business and operating model need to evolve to meet new market needs in coming years, and we have restructured our current Business Supporting System team (BSS) into two teams to support this change – BSS and a new Engineering Solution and Service team (ESS).

ESS comprises three engineering application design teams with new skillsets in IC Application Design (ICAD), IT Solutions Architecture (ITSA) and Industrial Engineering Application Design (IEAD). These three teams are capable of providing new value-added solutions and professional services to our quality customers.

Karin's Marketing & Sales-Engineer Staff team (MSS) comprises Information Technology Solutions Service (ITSS), Electronic & Electrical Component Group (EECG), Industrial Materials and Engineering Group (IMEG) and Smart Consumer Electronic Product (SCEP) teams. To remain competitive amidst the paradigm shift of disruptive technologies in an uncertain global economic environment:

(a) EECG and IMEG will extend their sales network to South East Asia to exploit potential growth in the region as manufacturing continues its migration to ASEAN countries.

(b) IMEG will work with ITSS on internet-of-things (IoT) and big data services and explore opportunities in "Smart Building and Factory" such as HVAC, lighting, and fire safety technologies for better management and automation services.

(c) ITSS will seek to secure more leading IT solutions in Application Programming Interface (API), Business Intelligence (BI), Cloud deployment, and "Smart Office and Building" in the retail, financial services and construction sectors.

(d) SCEP, with its existing business relationships with many retail giants in Hong Kong and our In-Smart retail outlet, will also focus its resources on online marketing and sales and seek new opportunities in emerging "Smart Home" and "Sport-Tech".

Challenges from this paradigm shift and disruptive technologies and the increasing cost of operations are key issues for Karin. However, in an uncertain global economic environment of ongoing global trade conflicts and business volatility, Karin will continue to closely follow the golden rule of improving productivity by "doing more, faster and better with less" and we will also continue our strategic investments in Karin's ERP and B2B development by BSS and automation within our diversified business models – a proven strategy that has led to our success over the past four decades.

Raymond NG,
Executive Chairman and Chief Executive Officer
Karin Technology Holdings Limited

Financial Review

PROFIT AND LOSS

REVENUE

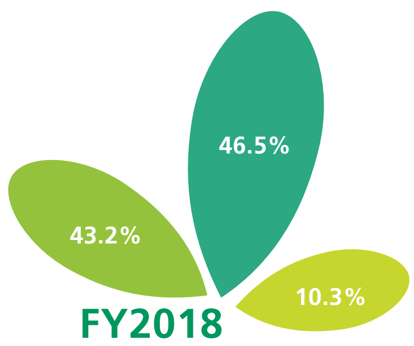
Consolidated revenue of the Group increased by approximately HK$145.4 million or 7.8% from HK$1,867.9 million for the year ended 30 June 2017 to HK$2,013.3 million for the year ended 30 June 2018.

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

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

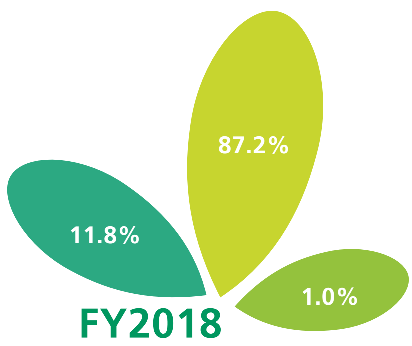
Revenue from our Consumer Electronics Products ("**CEP**") segment increased by HK$126.0 million or 156.9%, from HK$80.3 million for the year ended 30 June 2017 to HK$206.3 million for the current year. The increase was mainly due to re-investment in retail stores business in March 2018.

REVENUE BY BUSINESS SEGMENTS FOR FY2018



COMPONENTS DISTRIBUTION
IT INFRASTRUCTURE
CONSUMER ELECTRONICS PRODUCTS

REVENUE BY GEOGRAPHICAL REGIONS FOR FY2018



HONG KONG
MAINLAND CHINA
OTHERS

GROSS PROFIT

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

OTHER INCOME AND GAINS, NET

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

SELLING AND DISTRIBUTION COSTS

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

ADMINISTRATIVE EXPENSES

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

OTHER EXPENSES, NET

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

FINANCE COSTS

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

NET PROFIT

Net profit attributable to owners of the Company decreased by HK$6.7 million or 19.2%, from HK$34.7 million for the year ended 30 June 2017 to HK28.0 million for the year ended 30 June 2018. The decrease was mostly due to increase in operating expenses as explained above.

NON-CONTROLLING INTERESTS

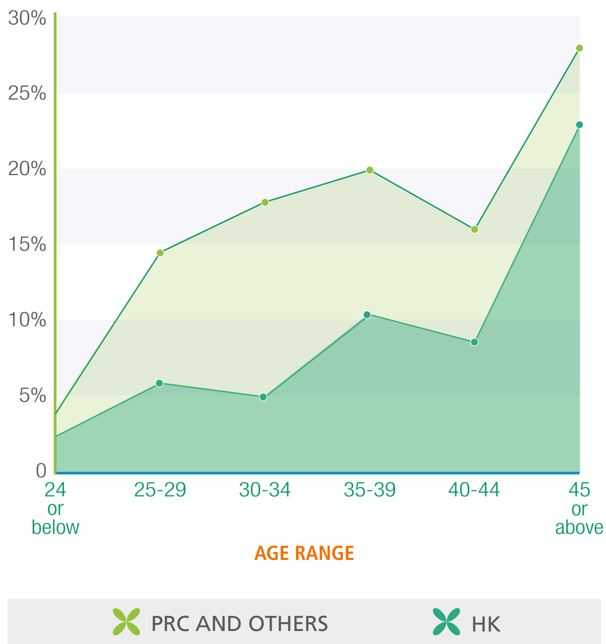
Non-controlling interests represented the non-controlling shareholders' share of loss in our non-wholly owned subsidiaries.

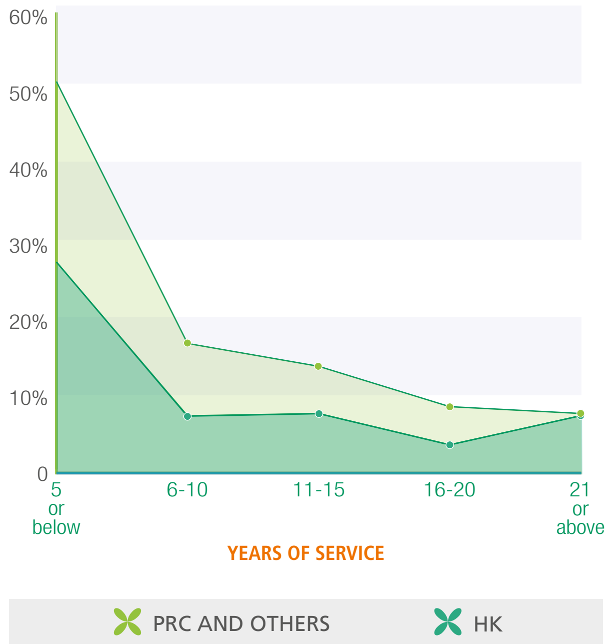
STATEMENT OF FINANCIAL POSITION

NON-CURRENT ASSETS

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

STAFF STATISTICS

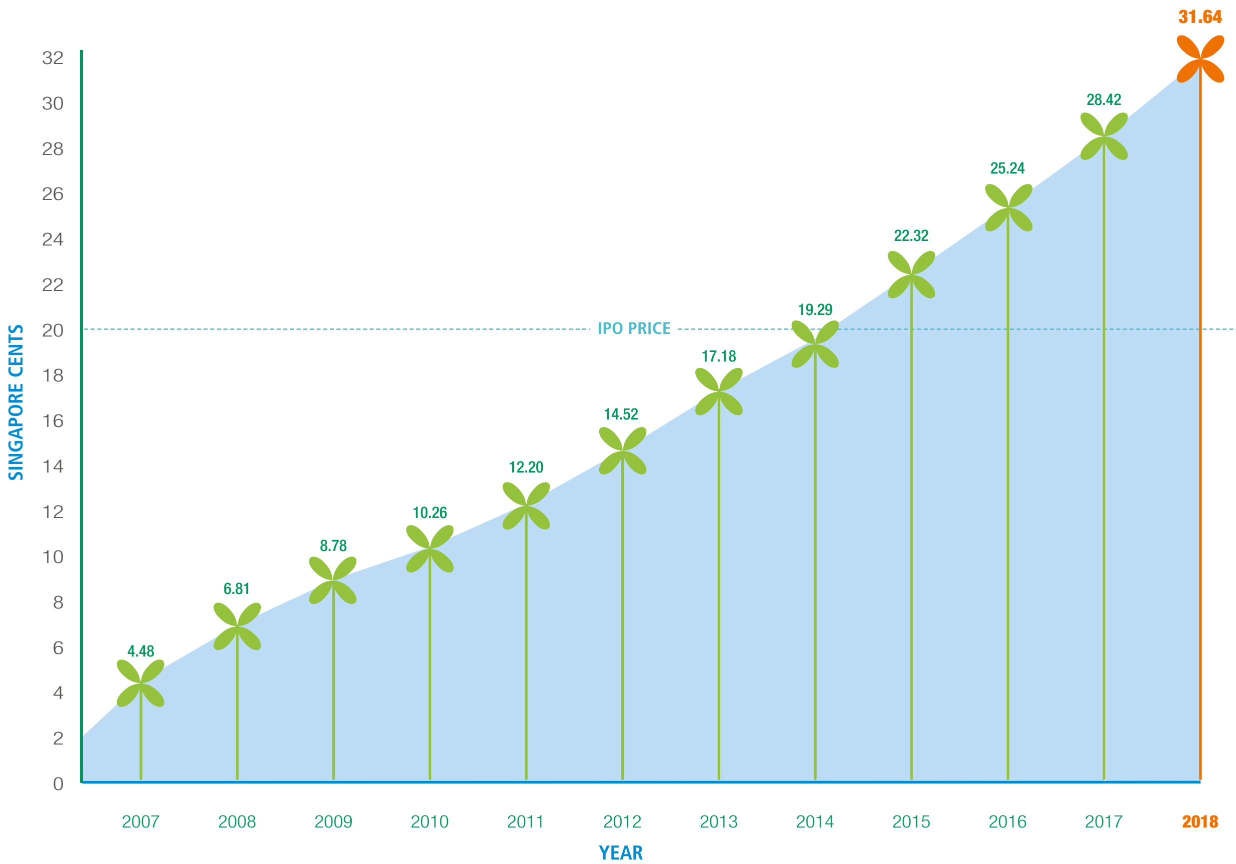




CURRENT ASSETS

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

ACCUMULATED DIVIDEND PAID SINCE IPO



Financial Review

CURRENT LIABILITIES

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

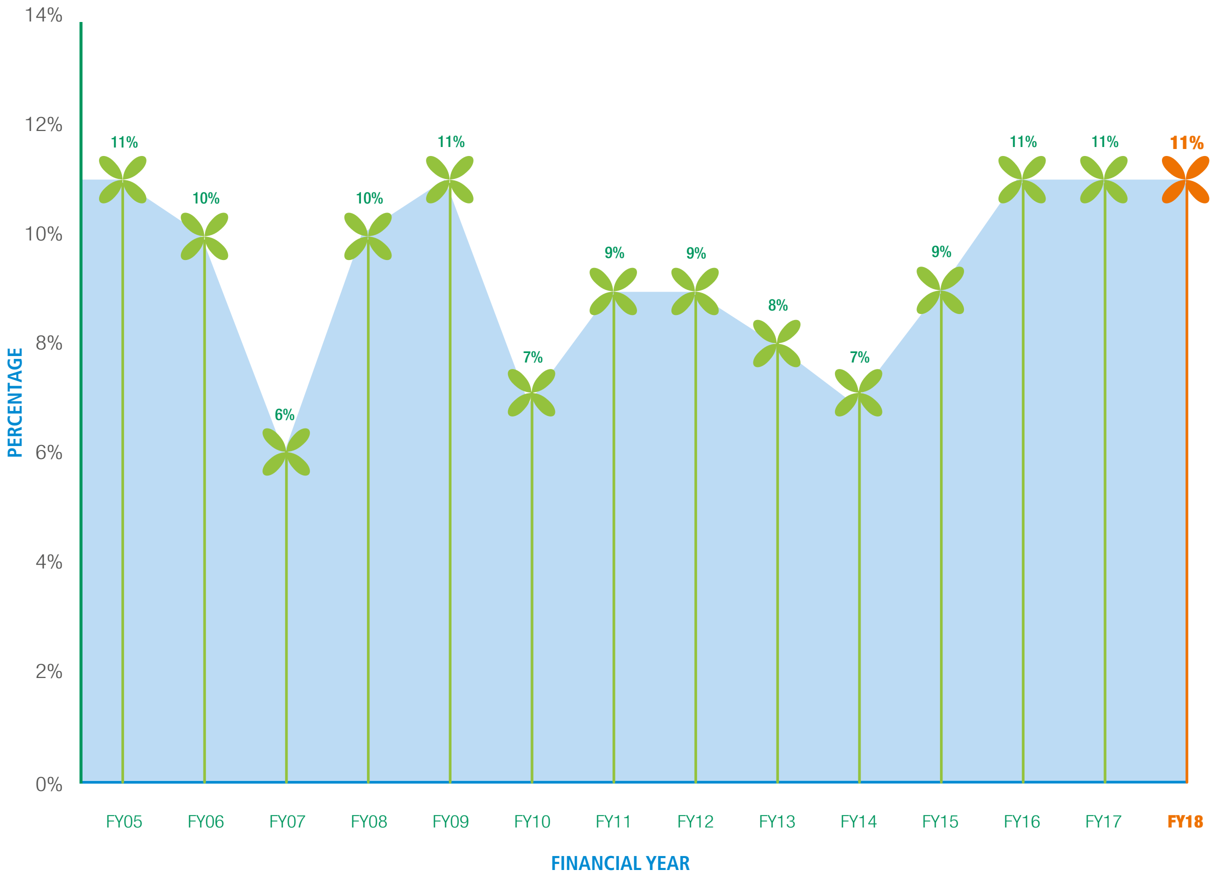
NON-CURRENT LIABILITIES

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

LIQUIDITY AND CASH FLOW

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

DIVIDEND YIELD SINCE IPO



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 30 years of experience in the components distribution business. Mr. Ng is a full member of the Hong Kong Management Association, a fellow member of the Hong Kong Institute of Marketing and a member of the SAE International. 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 in 1990. In 2004 he obtained a Master of Business Administration degree from the Macquarie University of Sydney, Australia. In addition, he was awarded the degrees of Master of Arts in Applied Translation from The Open University of Hong Kong in 2008 and Master of Science in Energy and Environment from City University of Hong Kong in 2015. He is the younger brother of Mr. Philip Ng, the elder brother of Mr. Allan 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 and Mr. Allan 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. 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.

Prof. Ng Tung Sang
Independent Director

Prof. Ng Tung Sang is one of our Independent Directors. He was a Director of the Board Directors of School of Professional and Continuing Education, The University of Hong Kong, Head of Department of Electrical and Electronic Engineering and Dean of the Faculty of Engineering. Prof. Ng has extensive expertise in wireless communications, particularly in CDMA and the third and fourth generation mobile systems and is distinguished for his contribution 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.

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. 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

Ms. Fan Shu Yung, Cecilia, is responsible for human resources management and office administration 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 20 years. She joined our Group in November 1996.

Mr. Leung Yiu Chown, Desmond
General Manager of IT Infrastructure Division

Mr. Leung Yiu Chown, Desmond, 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.

Senior **Management**

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.

Mr. Ng Kam Wing, Allan

Chief Technology Officer

Mr. Ng Kam Wing, Allan, is responsible for the overall IT (Information Technology) system control and the development of ITSD (Information Technology Service Division) of our Group. Mr. Ng holds a Bachelor of Science in Civil Engineering degree from the University of Hong Kong. He is a member of the Hong Kong Institution of Engineers, professional member of the Association of Computer Machinery, member of ISACA and a CISSP. He was an engineer at various companies between 1978 and 1985, a project manager at a construction company from 1985 to 1989 and a senior engineer at a telecommunication company from 1989 to 1991. He also has over 20 years of experience in the IT industry, having worked as a General Manager at various companies where he was responsible for business software and IT development from 1991 to 2001. Mr. Ng joined our Group in October 2001 and is the younger brother of Mr. Philip Ng and Mr. Raymond Ng and uncle of Mr. Michael Ng.

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.

MASTERKLOUD TECHNOLOGY LTD.

SGP

I M I KABEL 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.

Fiscal Year 2018 Events

2017

AUG 17

DIY leather coins bag

2018

MAR 18

Jabra Media Launch Event

NOV 17
Oxfam Trailwaker

NOV 17
Autumn excursion

MAY 18
Cloud Expo Hong Kong

JUN 18
Ruckus Smart City Seminar

JUN 18
Tableau Data Day Out Hong Kong

JUL 18
AWS Summit T

Milestones

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.
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.

Milestones

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)
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
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
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 2018, the Group has adhered to the principles and guidelines as set out in the Code of Corporate Governance 2012 (the "**2012 Code**"), except where otherwise stated. This report outlines the corporate governance practices adopted by the Group, embodying the principles of the 2012 Code. The Board will continue to improve with developments by enhancing its principles and framework.

BOARD MATTERS

PRINCIPLE 1 – BOARD'S CONDUCT OF ITS 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 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, functions, responsibilities and power of the Board and various Board Committees of the Company.

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.

Matters which are specially reserved for the approval of the Board include, among others, investments in subsidiaries and associates, advances to subsidiaries or associates, increase of share capital, any material acquisitions and disposals of assets and major undertakings (other than in the ordinary course of business), banking matters and review and release of announcements relating to financial statements and Board changes.

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.

REPORT ON CORPORATE GOVERNANCE

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 FY2018 are set out as follows:

ATTENDANCE OF MEMBERS AT MEETINGS OF THE BOARD AND THE BOARD COMMITTEES HELD DURING FY2018

	Board		Audit and Risk Management committee		Nominating committee		Remuneration committee	
Name of director	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 Yuk Wing, Philip (Senior Executive Director, stepped down as Executive Advisor on 1 July 2018)	2	2	–	–	–	–	–	–
Mr. Ng Mun Kit, Michael (Appointed as Executive Director on 1 July 2018)	–	–	–	–	–	–	–	–
Mr. Lee Yiu Chung, Eugene (Chief Operating Officer)	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.

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 new director, Mr. Ng Mun Kit, Michael, who joined the Company as Assistant General Manager in 2014 and promoted to General Manager in 2017, was briefed on the strategy and operations of each department as he participated in Management meetings from time to time. 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 major long-term trends and strategic alternatives available to the Company.

REPORT ON CORPORATE GOVERNANCE

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 FY2018, 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.

PRINCIPLE 2 – BOARD COMPOSITION AND BALANCE

The Board comprises six Directors, three of whom are independent. There is an independent element on the Board, with Independent Directors constituting half of the Board. Key information of the Board is found under the Board of Directors section of the Annual Report.

The independence of each Director is reviewed by the Nominating Committee ("**NC**"). The NC adopts the 2012 Code definition of what constitutes an Independent Director in its review. The Board considers an "independent" director as one who has no relationship with the Group, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company and Group. The Board is of the view that all the three Non-executive Directors are independent. The Board is able to exercise independent judgment on corporate affairs and provide management with a diverse and objective perspective on issues.

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. 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. No NC member is involved in the deliberation in respect of his independence.

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 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 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 and electronic engineering. 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 so as not to compromise on qualification, experience and capabilities without discriminating gender. While it is important to have gender diversity in the Board, it is even more 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. The Board is pleased to appoint Mr. Ng Mun Kit, Michael who belongs to the Generation X, to provide different skills set and perspectives to the Board. His skills, knowledge and experiences are relevant to the current needs of the Board. 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. Qualifications and experiences of the Board members and Senior Management are set out under the Board of Directors and Senior Management section of the Annual Report. The Board will constantly examine its size with a view of determining its impact on its effectiveness.

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 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 – EXECUTIVE 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 30 years of experience in the components distribution business.

Mr. Ng Yuk Wing, Philip ("**Mr. Philip Ng**") has stepped down as Senior Executive Director of the Company on 1 July 2018 and took on the role as Executive Advisor of the Company. He is a brother of Mr. Raymond Ng and both of them are founders of the Group. The roles of the Chairman and CEO were set out in the written Board Terms of Reference.

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 Directors.

The Board has written terms of reference for the Lead Independent Director ("**LID**") that describes the responsibilities and authority of a LID. Mr. Lim Yew Kong, John is the LID since 2016 AGM. Prof. Ng Tung Sang will replace Mr. Lim Yew Kong, John as LID after the conclusion of the AGM which has been scheduled on 25 October 2018. The LID shall be available to the shareholders where they have concerns which contact through the normal channels of the Executive Chairman and CEO 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.

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 4 – BOARD MEMBERSHIP

Nominating Committee ("NC")

The NC comprises three members, all are independent directors. The Lead Independent Director is a member 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

The NC 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 has written terms of reference that describe its responsibilities, which include maintaining an effective Board and ensuring that only competent individuals capable of contributing to the success of the Company are appointed. Where new appointments are required, the NC will consider recommendations for new Directors, review their qualifications and meet with such candidates before decision is made on a selection. The NC also promotes transparency in the selection and appointment of new Board members as well as their subsequent re-nomination/re-election.

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. During FY2018, the Directors have been briefed on the latest proposed changes and developments such as updates on the relevant laws and IFRSs, changes in technology and industrial practice relating to the Company's business as well as the Company's strategic directions. The NC and the Board have agreed to review training programmes for the Board.

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.

REPORT ON CORPORATE GOVERNANCE

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 had identified Mr. Lee Yiu Chung, Eugene and Prof. Ng Tung Sang for re-appointment at the forthcoming AGM. Pursuant to the Company's Bye-laws, Mr. Ng Mun Kit, Michael, who was appointed by the Board of Directors on 1 July 2018, shall retire from office at the forthcoming AGM and shall be eligible for election at the said AGM. Their profiles are shown in the Board of Directors section of the Annual Report.

The NC considered an independent director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers that would interfere with the exercise of the Directors' independent business judgement, which is in the best interest of the Company. 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.

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 Director 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.

REPORT ON CORPORATE GOVERNANCE

Presently, the Company does not have alternate director.

Particulars of Directors as at 30 June 2018

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	20.10.2017	Executive Chairman, Chief Executive Officer and Executive Director	None	None
Mr. Ng Yuk Wing, Philip (Senior Executive Director) (Resigned on 1 July 2018 and replaced by Mr. Michael on the same day)	05.09.2002	20.10.2016	Senior Executive Director	None	None
Mr. Lee Yiu Chung, Eugene (Chief Operating Officer)	26.01.2003	28.10.2015	Chief Operating Officer and Executive Director	None	None
Prof. Ng Tung Sang (Independent Director)	20.01.2005	28.10.2015	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	20.10.2016	Lead 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)

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 FY2018. The performance criteria remained the same as last year. During FY2018, 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.

REPORT ON CORPORATE GOVERNANCE

The assessment process involves and includes input from the Board members, applying 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, Senior Executive Director and Chief Operating Officer ("**COO**"), 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.

PRINCIPLE 6 – ACCESS TO INFORMATION

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. 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. The Management has been providing all the Executive Directors with monthly consolidated financial reports.

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.

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 the Board Committees functions effectively and ensures that the Company's Bye-Laws and relevant rules and regulations, including the Listing Manual of the SGX-ST are complied with. During FY2018, the Company Secretaries attended all Board 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.

REPORT ON CORPORATE GOVERNANCE

REMUNERATION COMMITTEE ("RC")

PRINCIPLE 7 – 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;
- 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 2012 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.

During FY2018, the Company did not issue any new ordinary shares pursuant to the 2005 ESOS. No options were granted under the 2014 ESOS during FY2018. The share options outstanding as at 30 June 2018 was 150,000 which could be convertible to 150,000 ordinary shares of the Company upon exercise.

REPORT ON CORPORATE GOVERNANCE

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 FY2018, no treasury shares were awarded to any key executives pursuant to the Share Plan.

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. 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 FY2018, 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 FY2018. 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.

PRINCIPLE 8 – LEVEL AND MIX OF REMUNERATION

The RC recommends to the Board a framework of remuneration for the Directors and key executive officers, 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 executive officers comprises fixed component, variable component and other benefits.

REPORT ON CORPORATE GOVERNANCE

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 executive officers 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 executive officers 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 executive officers.

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 management 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 executive officers, 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 management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 9 – DISCLOSURE ON REMUNERATION

The annual remuneration band of each individual Director and the top 5 key executives for the financial year ended 30 June 2018 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	–	81.0	19.0	–	100.0
Mr. Ng Yuk Wing, Philip (*)	II	–	81.0	19.0	–	100.0
Mr. Lee Yiu Chung, Eugene	II	–	80.0	20.0	–	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

(*) Mr. Ng Yuk Wing, Philip resigned as a Director on 1 July 2018

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	96.1	3.9	–	100.0
Mr. Chong Shi Fan, Stephen	I	94.6	5.4	–	100.0
Mr. Leung Yiu Chown, Desmond	II	72.7	27.3	–	100.0
Mr. Mok Pui Wah, Kenneth	I	95.0	5.0	–	100.0
Ms. Ng Shuk Yi, Louisa	I	93.6	6.4	–	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

The following employees are immediate family members of a director or CEO and whose remuneration exceeds S$50,000 during FY2018:

Name	Family relationship with any Director and/or substantial shareholder	Remuneration band
Ng Kam Wing, Allan	Brother of Ng Yuk Wing, Philip and Ng Kin Wing, Raymond, Executive Advisor and Executive Chairman and CEO of the Group, respectively.	S$100,000 to S$149,999
Ng Mun Kit, Michael (*)	Son of Ng Yuk Wing, Philip, Executive Advisor.	S$100,000 to S$149,999

(*) Mr. Ng Mun Kit, Michael was appointed as a director on 1 July 2018

For competitive reasons, 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 key management personnel, especially in the evolving and fast-paced IT and Components industry which the Company is operating, the Company shall not disclose the aggregate remuneration paid to the key management personnel of the Group in this report. Instead, the Company discloses the total remuneration paid to the top 5 key management personnel which is approximately S$950,000. 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 Yuk Wing, Philip and Mr. Ng Kin Wing, Raymond 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.

PRINCIPLE 10 – ACCOUNTABILITY

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.

The Board accepts that it is accountable to the shareholders while the Management is accountable to the Board. 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.

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 11 – 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.

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 and compliance risks, 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 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 risk management and internal control systems, including financial, operational, compliance and information technology controls as well as risk management systems. Based on the reports presented, the Board, with the concurrence of the ARMC, is of the opinion 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 FY2018.

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 effectiveness of the Company's risk management and internal control systems.

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 12 – AUDIT AND RISK MANAGEMENT COMMITTEE ("**ARMC**")

The ARMC 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 Terms of Reference with full access to and co-operation by Management.

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 auditor;
- nominate external auditors for re-appointment;
- review interested person transactions, if any; and
- review Whistle-Blowing Policy.

REPORT ON CORPORATE GOVERNANCE

During the year, the ARMC has performed, among others, the following:

- reviewed the Management Letter from Ernst & Young, Hong Kong ("**E&Y**");
- reviewed 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 page 90 of the Annual Report. The ARMC is satisfied that such services would not affect the independence and objectivity of the external auditor;
- received the Audit Quality Indicators relating to FY2018 from the external auditor;
- reviewed the Karin Group Risk Register and assessed the Group's risks reported by the Internal Auditor, which includes both emerging and current risks;
- Internal Audit Plan of the Group and outcome of the internal audit review presented to the ARMC;
- updated on the follow-up action to the internal audit review;
- reviewed financial statements of the Company prior to its release;
- obtained quarterly update on the status of whistle-blowing; and
- considered if there is any interested person transactions.

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 Singapore Exchange Securities Trading Limited (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.

REPORT ON CORPORATE GOVERNANCE

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 Leinuo Certified Public Accountants
I M I Kabel Pte. Ltd.	KBH Integra PAC
Karsing Pte. Ltd.	KBH Integra PAC
Shanghai Cosel International Trading Co. Ltd.	Nexia HDDY (Shanghai) 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

PRINCIPLE 13 – INTERNAL AUDIT

The Company has established an Internal Audit Department and employed a full time Internal Auditor ("**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 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.

COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 14 – SHAREHOLDER RIGHTS

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.

PRINCIPLE 15 – COMMUNICATION WITH SHAREHOLDERS

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 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.

REPORT ON CORPORATE GOVERNANCE

The Company always updates its corporate website in English with an investor relations section at 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.

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 2012 Code. If the Board deems fit, it may propose any necessary amendment to the same to the shareholders for approval.

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 FY2018, in addition to the already paid HK6.8 cents per share interim dividend (tax not applicable), the Company is recommending a final dividend of HK11.8 cents per share (tax not applicable), subject to approval by shareholders at the Annual General Meeting.

PRINCIPLE 16 – CONDUCT OF SHAREHOLDER MEETINGS

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.

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 would be available to shareholders upon their request.

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

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 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

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the ARMC and that the transactions are conducted on an arm's length basis and are not prejudicial to the interest of the shareholders.

There was no transaction with interested persons during the financial year ended 30 June 2018 that exceeded the stipulated thresholds as specified in Chapter 9 of the Listing Manual of the SGX-ST.

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 2018. 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.

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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 2018.

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 (Appointed on 1 July 2018)
Mr. Lee Yiu Chung, Eugene – Chief Operating Officer
Mr. Ng Yuk Wing, Philip – Senior Executive Director (Resigned on 1 July 2018)

INDEPENDENT DIRECTORS:

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

In accordance with the bye-laws of the Company, Mr. Lee Yiu Chung, Eugene and Prof. Ng Tung Sang will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting ("**AGM**"). Pursuant to the Company's Bye-laws, Mr. Michael Ng, who was appointed by the Board of Directors on 1 July 2018, shall retire from office at the forthcoming AGM and shall be eligible for election at the said 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 notes 1 and 14 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 2018 and the financial position of the Company and of the Group at that date are set out in the financial statements on pages 54 to 125.

An interim dividend of HK6.8 cents per ordinary share with a total amount of approximately HK$14,593,000 was paid on 15 March 2018. The directors of the Company proposed a final dividend for the year ended 30 June 2018 of HK11.8 cents per ordinary share with a total amount of approximately HK$25,323,000. 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:

	Direct interest		Deemed interest	
Name of director	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
The Company				
(ordinary shares of HK$0.10 each)				
Mr. Ng Kin Wing, Raymond	–	–	70,639,950	70,639,950
Mr. Ng Yuk Wing, Philip (+)	–	–	72,151,950	72,151,950
Mr. Lee Yiu Chung, Eugene (*)	–	–	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	148,886,900	148,886,900

(+) Mr. Ng Yuk Wing, Philip resigned as a Director on 1 July 2018.

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

Mr. Ng Kin Wing, Raymond and Mr. Ng Yuk Wing, Philip, 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 2018, 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 12,610,000 share options were exercised and a total of 100,000 share options were lapsed due to 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 2018, 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 options were exercised. Further details of the 2005 ESOS are set out in note 28 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 options were exercised. Further details of the 2014 ESOS are set out in note 28 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 2018, 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 5,150,000 shares have been awarded to employees of the Group.

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. The functions performed are detailed in the Report on Corporate Governance on pages 22 to 42 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	**Ng Mun Kit, Michael**
Executive Chairman and CEO	*Executive Director*

21 September 2018

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 54 to 125 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 2018 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

21 September 2018

INDEPENDENT AUDITOR'S REPORT

EY 安永

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 54 to 125, which comprise the consolidated statement of financial position of the Group and the financial position of the Company as at 30 June 2018, 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 2018, 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 *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
Impairment of trade receivables As at 30 June 2018, the Group had trade receivables of HK$418,881,000, which represented 47% of the total assets of the Group. Management performs impairment assessment of trade receivables monthly. The impairment assessment is based on the evaluation of collectability and credit terms of the receivables, including the ageing of the balances, existence of disputes, creditworthiness and past collection history of certain major customers. We focused on this area because the impairment assessment of receivables involves significant judgement and estimation. The related disclosures are included in notes 3 and 18 to the consolidated financial statements.	We examined the Group's estimation of the provision for impairment, including inquiring management's considerations about the financial position of customers with significant overdue balances, testing the trade receivables ageing for samples of trade receivables, reviewing the repayment history, creditworthiness and reputation of the debtors, and checking the recoverability of outstanding debtors through examination of subsequent settlements. We considered the impairment of trade receivables with reference to management's assessment on ageing analysis by testing the underlying information on the ageing reports generated by the Group's reporting system. We also re-calculated the impairment of trade receivables for the mathematical accuracy.
Provision for obsolete and slow-moving inventories As at 30 June 2018, the Group recorded inventories of HK$190,418,000 after provision against obsolete and slow-moving inventories, which accounted for 21% of the total assets of the Group. 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. We focused on this area because significant judgments 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. The disclosures in relation to inventories and provision for obsolete and slow-moving inventories are included in note 3 to the consolidated financial statements.	We evaluated the Group's forecasted future sales levels based on past experience, subsequent sales status and market-specific considerations. We considered the inventory provisioning estimation and how it was applied and 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. We also re-calculated the mathematical accuracy and also reviewed the inventory provision with reference to stock ageing analysis and sales of inventories made after the year end.

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, related safeguards.

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 Chung Chi Ming.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

21 September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000 (restated)
REVENUE	5	**2,013,340**	1,867,924
Cost of sales		**(1,851,051)**	(1,702,262)
Gross profit		**162,289**	165,662
Other income and gains, net	5	**14,512**	7,479
Selling and distribution costs		**(65,223)**	(60,359)
Administrative expenses		**(74,055)**	(66,710)
Other expenses, net		**(63)**	(3,932)
Finance costs	7	**(3,446)**	(2,671)
Share of profits and losses of associates	15	**135**	1,055
PROFIT BEFORE TAX	6	**34,149**	40,524
Income tax expense	8	**(6,879)**	(6,452)
PROFIT FOR THE YEAR		**27,270**	34,072
Other comprehensive income			
Item to be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**8,151**	(518)
Share of other comprehensive income of an associate		**46**	–
Item not to be reclassified to profit or loss in subsequent periods:			
Surplus on revaluation upon transfer of property, plant and equipment to investment properties		**28,996**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**37,193**	(518)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**64,463**	33,554
Profit for the year attributable to:			
Owners of the Company		**28,000**	34,653
Non-controlling interests		**(730)**	(581)
		27,270	34,072
Total comprehensive income attributable to:			
Owners of the Company		**65,025**	34,451
Non-controlling interests		**(562)**	(897)
		64,463	33,554
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY (HK cents)	10		
Basic		**13.0**	16.2
Diluted		**13.0**	16.1

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	30 June 2018 HK$'000	30 June 2017 HK$'000 (restated)	1 July 2016 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	11	**100,458**	112,833	129,631
Investment properties	12	**62,429**	30,942	30,071
Goodwill	13	**2,098**	2,098	2,098
Investments in associates	15	**2,109**	1,828	1,148
Financial asset at fair value through profit or loss	16	**–**	1,663	2,401
Deferred tax assets	26	**3,461**	3,658	1,649
Factored trade receivables	19	**950**	1,900	2,850
Prepayments	20	**–**	349	598
Trade receivable	18	**2,335**	5,819	9,106
Total non-current assets		**173,840**	161,090	179,552
CURRENT ASSETS				
Financial assets at fair value through profit or loss	16	**–**	9,939	–
Inventories	17	**190,418**	134,950	194,016
Trade and bills receivables	18	**429,911**	383,801	370,082
Factored trade receivables	19	**2,979**	7,192	1,566
Prepayments, deposits and other receivables	20	**46,367**	51,878	86,918
Forward currency contracts	21	**8**	873	347
Income tax recoverable		**–**	–	17
Cash and cash equivalents	22	**54,211**	56,950	34,148
Total current assets		**723,894**	645,583	687,094
CURRENT LIABILITIES				
Trade payables	23	**221,677**	197,459	201,593
Other payables and accruals	23	**80,606**	89,777	91,690
Income tax payable		**5,976**	9,599	10,145
Interest-bearing bank and other borrowings	24	**140,162**	94,977	141,121
Total current liabilities		**448,421**	391,812	444,549
NET CURRENT ASSETS		**275,473**	253,771	242,545
TOTAL ASSETS LESS CURRENT LIABILITIES		**449,313**	414,861	422,097
NON-CURRENT LIABILITIES				
Trade payables	23	**8,030**	–	–
Other borrowings	24	**–**	3,853	2,888
Deferred tax liabilities	26	**3,266**	3,004	2,857
Total non-current liabilities		**11,296**	6,857	5,745
Net assets		**438,017**	408,004	416,352

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2018

	Notes	30 June 2018 HK$'000	30 June 2017 HK$'000 (restated)	1 July 2016 HK$'000 (restated)
EQUITY				
Equity attributable to owners of the Company				
Issued capital	*27*	**21,461**	21,461	21,446
Treasury shares	*27*	**(19)**	(19)	(19)
Reserves	*29*	**417,822**	388,421	396,777
		439,264	409,863	418,204
Non-controlling interests		**(1,247)**	(1,859)	(1,852)
Total equity		**438,017**	408,004	416,352

Ng Kin Wing, Raymond
Executive Chairman and CEO

Ng Mun Kit, Michael
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2018

		Attributable to owners of the Company												
	Notes	Issued capital HK$'000 (Note 27 (i))	Treasury shares HK$'000 (Note 27 (ii))	Share premium account HK$'000 (Note 27 (i))	Contributed surplus HK$'000 (Note 29 (a)(i))	Share option reserve HK$'000	Land and buildings revaluation reserve HK$'000	General reserve HK$'000 (Note 29 (a)(ii))	Other reserve HK$'000 (Note 29 (a)(iii))	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2016, as previously reported		21,446	(19)	45,587	898	115	321,940	2,826	–	269	286,188	679,250	(1,852)	677,398
Impact of change in accounting policy	2.2(ii)	–	–	–	–	–	(321,940)	–	–	1,886	59,008	(261,046)	–	(261,046)
At 1 July 2016, as restated		21,446	(19)	45,587	898	115	–	2,826	–	2,155	345,196	418,204	(1,852)	416,352
Profit for the year, as restated		–	–	–	–	–	–	–	–	–	34,653	34,653	(581)	34,072
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	(202)	–	(202)	(316)	(518)
Total comprehensive income for the year, as restated		–	–	–	–	–	–	–	–	(202)	34,653	34,451	(897)	33,554
Issue of shares under the 2005 ESOS		15	–	173	–	(56)	–	–	–	–	–	132	–	132
Deemed acquisition of NCI		–	–	–	–	–	–	–	(890)	–	–	(890)	890	–
Final 2016 dividend paid		–	–	–	–	–	–	–	–	–	(25,306)	(25,306)	–	(25,306)
Interim 2017 dividend paid	9	–	–	–	–	–	–	–	–	–	(16,728)	(16,728)	–	(16,728)
Transfer between reserves of an associate		–	–	–	–	–	–	69	–	–	(69)	–	–	–
At 30 June 2017, as restated		21,461	(19)	45,760*	898*	59*	–*	2,895*	(890)*	1,953*	337,746*	409,863	(1,859)	408,004

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 30 June 2018

		Attributable to owners of the Company												
	Notes	Issued capital HK$'000 (Note 27 (i))	Treasury shares HK$'000 (Note 27 (ii))	Share premium account HK$'000 (Note 27 (i))	Contributed surplus HK$'000 (Note 29 (a)(i))	Share option reserve HK$'000	Land and buildings revaluation reserve HK$'000	General reserve HK$'000 (Note 29 (a)(ii))	Other reserve HK$'000 (Note 29 (a)(iii))	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2017, as previously reported		21,461	(19)	45,760	898	59	368,347	2,895	(890)	(503)	252,368	690,376	(1,859)	688,517
Impact of change in accounting policy	2.2(ii)	-	-	-	-	-	(368,347)	-	-	2,456	85,378	(280,513)	-	(280,513)
At 1 July 2017, as restated		21,461	(19)	45,760	898	59	-	2,895	(890)	1,953	337,746	409,863	(1,859)	408,004
Profit for the year		-	-	-	-	-	-	-	-	-	28,000	28,000	(730)	27,270
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	7,983	-	7,983	168	8,151
Share of other comprehensive income of an associate		-	-	-	-	-	-	-	-	46	-	46	-	46
Surplus on revaluation upon transfer of property, plant and equipment to investment properties	12	-	-	-	-	-	28,996	-	-	-	-	28,996	-	28,996
Total comprehensive income for the year		-	-	-	-	-	28,996	-	-	8,029	28,000	65,025	(562)	64,463
Acquisition of a subsidiary	30	-	-	-	-	-	-	-	-	-	-	-	1,174	1,174
Final 2017 dividend paid	9	-	-	-	-	-	-	-	-	-	(21,031)	(21,031)	-	(21,031)
Interim 2018 dividend paid	9	-	-	-	-	-	-	-	-	-	(14,593)	(14,593)	-	(14,593)
At 30 June 2018		21,461	(19)	45,760*	898*	59*	28,996*	2,895*	(890)*	9,982*	330,122*	439,264	(1,247)	438,017

* These reserve accounts comprise the consolidated reserves of HK$417,822,000 (2017, as restated: HK$388,421,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**34,149**	40,524
Adjustments for:			
Bank interest income	5	**(448)**	(278)
Fair value gains on investment properties	6	**(1,034)**	(1,759)
Write-down/(reversal of write-down) of inventories to net realisable value and write-off of obsolete inventories	6	**5,687**	(2,592)
Depreciation	6	**17,117**	18,245
Fair value loss on unlisted investment	6	**–**	716
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	6	**865**	(526)
(Reversal of impairment)/impairment of trade receivables, net	6	**(829)**	2,670
Loss/(gain) on disposal of items of property, plant and equipment	6	**27**	(83)
Finance costs	7	**3,446**	2,671
Gain on bargain purchase of a subsidiary	30	**(2,695)**	–
Share of profits and losses of associates	15	**(135)**	(1,055)
		56,150	58,533
(Increase)/decrease in inventories		**(52,340)**	61,699
Increase in trade and bills receivables		**(32,410)**	(13,432)
Decrease/(increase) in factored trade receivables		**5,163**	(4,676)
Decrease in prepayments, deposits and other receivables		**11,952**	17,927
Increase/(decrease) in trade payables		**33,579**	(4,134)
Decrease in other payables and accruals		**(29,561)**	(1,913)
Cash (used in)/generated from operations		**(7,467)**	114,004
Interest on bank and other borrowings paid	7	**(3,436)**	(2,653)
Interest element on finance lease rental payments	7	**(10)**	(18)
Income tax paid		**(10,264)**	(8,850)
Net cash flows (used in)/from operating activities		**(21,177)**	102,483

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000 (restated)
Net cash flows (used in)/from operating activities		**(21,177)**	102,483
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of items of property, plant and equipment		**–**	2,219
Purchases of items of property, plant and equipment		**(3,654)**	(6,156)
Proceeds from disposal/(purchase) of financial assets at fair value through profit or loss		**10,373**	(9,939)
Investment in an associate		**(100)**	–
Tax refunded on purchases of items of property, plant and equipment		**–**	1,487
Cash received on disposal of a subsidiary		**–**	17,697
Net cash acquired from the acquisition of a subsidiary	*30*	**4,731**	–
Interest received		**448**	278
Net cash flows from investing activities		**11,798**	5,586
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of employee share options	*27(i)*	**–**	132
New bank and other borrowings		**597,654**	279,076
Repayment of bank and other borrowings		**(556,506)**	(322,859)
Capital element of finance lease rental payments		**(163)**	(160)
Dividends paid		**(35,624)**	(42,034)
Net cash flows from/(used in) financing activities		**5,361**	(85,845)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(4,018)**	22,224
Cash and cash equivalents at beginning of financial year		**56,950**	34,148
Effect of foreign exchange rate changes, net		**1,279**	578
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		**54,211**	56,950
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*22*	**54,211**	56,950

STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	**2018 HK$'000**	2017 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	*14*	**76,308**	76,308
CURRENT ASSETS			
Amounts due from subsidiaries	*14*	**49,464**	49,886
Cash and bank balances	*22*	**495**	475
Total current assets		**49,959**	50,361
CURRENT LIABILITIES			
Amounts due to a subsidiary	*14*	**621**	621
Accruals	*23*	**3,156**	690
Total current liabilities		**3,777**	1,311
NET CURRENT ASSETS		**46,182**	49,050
Net assets		**122,490**	125,358
EQUITY			
Issued capital	*27*	**21,461**	21,461
Treasury shares	*27*	**(19)**	(19)
Reserves	*29(b)*	**101,048**	103,916
Total equity		**122,490**	125,358

Ng Kin Wing, Raymond
Executive Chairman and CEO

Ng Mun Kit, Michael
Executive Director

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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 ("**IFRSs**") as issued by the International Accounting Standards Board (the "**IASB**"). They have been prepared on a historical cost basis, except for investment properties, financial assets at fair value through profit or loss and derivative financial instruments 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 2018. 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 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(i) AMENDMENTS AND IMPROVEMENTS TO EXISTING STANDARDS THAT ARE EFFECTIVE FOR THE GROUP'S FINANCIAL YEAR BEGINNING ON 1 JULY 2017

The Group has adopted the following revised IFRSs for the first time in the financial statements for the financial year ended 30 June 2018:

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

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

(ii) CHANGE IN THE ACCOUNTING POLICY OF LEASEHOLD LAND AND BUILDING

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

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

NOTES TO FINANCIAL STATEMENTS

30 June 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The effects of the above change are summarised in below:

(a) EFFECTS ON THE CONSOLIDATED OF STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017 AND 1 JULY 2016

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

(b) EFFECTS ON THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

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

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarification to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Annual Improvements 2014-2016 Cycle	*Amendments to a number of IFRSs*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to a number of IFRSs*[2]
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about certain of these new and revised IFRSs that are expected to be applicable to the Group is described below. Of those standards, IFRS 9 and IFRS 15 will be applicable for the Group's financial year ending 30 June 2019 and are expected to have certain impact upon adoption. Whilst management has performed a high-level assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group, including expectations of the application of transitional provision options and policy choices. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

IFRS 9 FINANCIAL INSTRUMENTS

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. The Group will adopt the new standard from 1 July 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 July 2018. During the year, the Group has performed a detailed assessment of the impact of the adoption of the IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements are summarised as below:

(a) Classification and measurement

Upon adoption of IFRS 9, the classification and measurement of financial assets depend on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial assets. The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group currently does not expect the provision for impairment will be significantly increased upon the initial adoption of the standard.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required on initial application of the standard. The Group will adopt IFRS 15 on 1 July 2018 and plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 July 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 July 2018. During the year, the Group has performed a high-level assessment on the impact of the adoption of IFRS 15. The Group currently expects that the transitional adjustment to be made on 1 July 2018 upon initial adoption of IFRS 15 may be material.

(a) Sale of IT infrastructure with related support services

The Group provides support services for the sale of IT infrastructure. Revenue from the sale of IT infrastructure is recognised after the support services are completed. Upon the adoption of IFRS 15, revenue from the sale of IT infrastructure will be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group has assessed that the support services bundled together with the sale of IT infrastructure are distinct and are considered as separate performance obligations under IFRS 15. The Group has further assessed that the support services are satisfied over time given that the customers simultaneously receive and consume the benefits provided by the Group. Revenue allocated to the installation services will be recognised over the period that the services are provided.

(b) Principal versus agent considerations

From time to time the Group enters into contracts with its customers to acquire, on their behalf, equipment produced by third party suppliers. Under these contracts, the Group provides procurement services (i.e., selects suitable suppliers and manages the ordering and delivery of the equipment). In these contracts, the Group is not considered to be primarily responsible for fulfilling the promise to provide the specified equipment. The Group does not have inventory risk before or after the specified equipment has been transferred to the customer as it purchases equipment only upon approval of the customer and the third party supplier ships equipment directly to the customers. The Group's consideration in these contracts is determined as the difference between the maximum purchase price quoted by the customer and the final price negotiated by the Group with the third party supplier. The Group bears credit risk on these transactions as it is obliged to pay the third party supplier even if the customer defaults on a payment. Under the current accounting policy, based on the existence of credit risk and the nature of the consideration in the contract, the Group concluded that it has an exposure to the significant risks and rewards associated with the sale of equipment to its customers, and accounted for the contracts as if it is a principal. IFRS 15 requires assessment of whether the Group controls a specified good or service before it is transferred to the customer. The Group has determined that it does not control the goods before they are transferred to customers, and hence, is an agent rather than principal in these contracts.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(c) Variable consideration on the sale of electronic products

The Group provides a right of return, trade discounts or volume rebates for some of the sales contracts of electronic products with customers. Currently, the Group recognises revenue from the sale of goods measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, revenue recognition is deferred until the uncertainty is resolved. Under IFRS 15, a transaction price is considered variable if a customer is provided with a right of return, trade discounts or volume rebates. The Group is required to estimate the amount of consideration to which it will be entitled in the sales of its electronic products and the estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group has estimated that, when it adopts IFRS 15, an adjustment to reduce revenue for the sales returns and related adjustment to cost of sales will be required for 2019.

For the volume rebates, the Group has estimated that contract liabilities will be recognised for the volume rebates on transition to IFRS 15. Furthermore, the Group has estimated that an adjustment to reduce revenue by would be needed in 2019, with a corresponding increase in contract liabilities. Accordingly, an additional contract liability will be recognised for the expected future rebates as part of contract liabilities in the consolidated statement of financial position as at the end of 2018.

(d) Presentation and disclosure

The presentation and disclosure requirements in IFRS 15 are more detailed than those under the current IAS 18 *Revenue*. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. Also, extended disclosures are expected as a result of the significant judgement made when assessing the contracts where the Group has concluded that: it acts as an agent instead of a principal, there is a significant financing component, and service-type warranties are provided. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

IFRS 16 LEASES

IFRS 16 was issued in January 2016 and it 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*. IFRS 16 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 similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events such as a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group expects to adopt IFRS 16 from 1 July 2019. The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 33(b) to the financial statements, at 30 June 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$3,375,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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 is 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. 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 investment 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.

If an investment in an associate becomes an investment in a joint venture, 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.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS AND GOODWILL (continued)

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.

FAIR VALUE MEASUREMENT

The Group measures its investment properties, financial asset at fair value through profit or loss and forward currency contracts, 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

NOTES TO FINANCIAL STATEMENTS

30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT (continued)

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.

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 2018

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 accumulated 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:

Leasehold land 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 2018

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 or valuation 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 interest under an operating lease for a property 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.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES

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 financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded 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:

NOTES TO FINANCIAL STATEMENTS

30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as "Other income and gains, net" and negative net changes in fair value presented as "Other expenses, net" in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Other income and gains, net" in profit or loss. The loss arising from impairment is recognised in profit or loss in "Finance costs" for loans and in "Other expenses, net" for receivables.

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.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "Other expenses, net" in profit or loss.

FINANCIAL LIABILITIES

Initial recognition and measurement

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

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

Subsequent measurement

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 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 profit or loss.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 INSTRUMENTS

The Group uses derivative financial instruments, such as forward currency contracts, to manage its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. 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.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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, 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 2018

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.

REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when the services have been rendered;

(c) rental income, on a time proportion basis over the lease terms; and

(d) interest income, on an accrual basis using the effective interest rate 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.

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.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EMPLOYEE BENEFITS (continued)

Share-based payments (continued)

(a) Share option scheme (continued)

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.

(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 charges 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.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EMPLOYEE BENEFITS (continued)

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.

FOREIGN CURRENCIES

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation 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).

NOTES TO FINANCIAL STATEMENTS

30 June 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES (continued)

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.

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:

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 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.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

JUDGEMENTS (continued)

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.

At 30 June 2018 and 2017, 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 2018, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised in the consolidated statement of financial position was approximately HK$8,493,000 (2017: HK$7,293,000), details of which are set out in note 26(b) 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.

Fair value of investment properties and leasehold land and buildings

Investment properties and leasehold land and buildings 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 leasehold land and buildings 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 of 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 of 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.

Impairment assessment of trade receivables

Management performs impairment assessment of trade receivables regularly. The impairment assessment is based on the evaluation of collectability and terms of the receivables. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the ageing of the balance, the existence of disputes, the creditworthiness and the past collection history of certain major customers. If the financial conditions of debtors are to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATION UNCERTAINTY (continued)

Fair values of forward currency contracts

Forward currency contracts are stated at fair value. The Group estimates the fair values with reference to currency forward exchange rates for contracts with similar maturity profiles. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities is subjective and requires varying degrees of judgement, which may result in significantly different fair values and results.

Financial assets at fair value through profit or loss

The unlisted equity investments and the unlisted financial products have 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, volatility and discount rates, and hence they are subjected to uncertainty. The aggregate fair value of the unlisted equity investments and the unlisted financial products at 30 June 2017 was HK$11,602,000. Further details are included in note 16 to the financial statements.

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, a financial asset at fair value through profit or loss, and derivative financial instruments, finance costs, share of profits and losses of associates and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude an investments in associates, deferred tax assets, financial assets at fair value through profit or loss, forward currency contracts, income tax recoverable, 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 2018

4. OPERATING SEGMENT INFORMATION (continued)

	Components Distribution HK$'000	IT Infrastructure HK$'000	Consumer Electronics Products HK$'000	Total HK$'000
Year ended 30 June 2018				
Segment revenue	870,079	936,953	206,308	2,013,340
Segment results	7,993	23,064	7,297	38,354
Reconciliation:				
Bank interest income				448
Fair value gains on investment properties				1,034
Fair value losses on financial assets at fair value through profit or loss, net				(865)
Finance costs				(3,446)
Share of profits and losses of associates				135
Corporate and other unallocated expenses				(1,511)
Profit before tax				34,149
Segment assets	424,829	278,084	44,327	747,240
Reconciliation:				
Investments in associates				2,109
Deferred tax assets				3,461
Financial assets at fair value through profit or loss				8
Cash and cash equivalents				54,211
Corporate and other unallocated assets				90,705
Total assets				897,734
Segment liabilities	124,849	130,547	20,617	276,013
Reconciliation:				
Income tax payable				5,976
Interest-bearing bank and other borrowings				140,162
Deferred tax liabilities				3,266
Corporate and other unallocated liabilities				34,300
Total liabilities				459,717
Other segment information:				
Depreciation				17,117
Other non-cash expenses, net	4,179	(193)	872	4,858
Capital expenditure				3,654

NOTES TO FINANCIAL STATEMENTS

30 June 2018

4. OPERATING SEGMENT INFORMATION (continued)

	Components Distribution HK$'000	IT Infrastructure HK$'000	Consumer Electronics Products HK$'000	Total HK$'000
Year ended 30 June 2017 (restated)				
Segment revenue	843,381	944,274	80,269	1,867,924
Segment results	2,884	32,972	5,708	41,564
Reconciliation:				
Bank interest income				278
Fair value gains on investment properties				1,759
Fair value gains on financial assets at fair value through profit or loss, net				526
Fair value loss on unlisted equity investment				(716)
Finance costs				(2,671)
Share of profit of an associate				1,055
Corporate and other unallocated expenses				(1,271)
Profit before tax				40,524
Segment assets	425,020	242,066	28,388	695,474
Reconciliation:				
Investment in an associate				1,828
Deferred tax assets				3,658
Financial asset at fair value through profit or loss				11,602
Forward currency contracts				873
Cash and cash equivalents				56,950
Corporate and other unallocated assets				36,288
Total assets				806,673
Segment liabilities	74,779	161,626	16,433	252,838
Reconciliation:				
Income tax payable				9,599
Interest-bearing bank and other borrowings				98,830
Deferred tax liabilities				3,004
Corporate and other unallocated liabilities				34,398
Total liabilities				398,669
Other segment information:				
Depreciation				18,245
Other non-cash expenses, net	3,623	(3,597)	52	78
Capital expenditure				36,367

NOTES TO FINANCIAL STATEMENTS

30 June 2018

4. OPERATING SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION

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

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.

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 (2017: Nil).

NOTES TO FINANCIAL STATEMENTS

30 June 2018

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered by the Group during the year.

An analysis of revenue, other income and gains, net is as follows:

		Group	
		2018	2017
	Notes	**HK$'000**	HK$'000
Revenue			
Components Distribution		**870,079**	843,381
IT Infrastructure		**936,953**	944,274
Consumer Electronics Products		**206,308**	80,269
		2,013,340	1,867,924
Other income and gains, net			
Bank interest income		**448**	278
Gross rental income		**2,431**	1,336
Fair value gains on investment properties	*12*	**1,034**	1,759
Fair value gains on financial assets at fair value through profit or loss,net	*21*	**–**	526
Foreign exchange difference, net		**3,639**	–
Reversal of impairment of trade receivables, net		**829**	–
Gain on bargain purchase of a subsidiary	*30*	**2,695**	–
Others		**3,436**	3,580
		14,512	7,479

NOTES TO FINANCIAL STATEMENTS

30 June 2018

6. PROFIT BEFORE TAX

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

	Notes	Group 2018 HK$'000	2017 HK$'000 (restated)
Cost of inventories sold		**1,765,168**	1,614,873
Cost of services provided		**85,883**	87,389
Write-down/(reversal of write-down) of inventories to net realisable value and write-off of obsolete inventories*		**5,687**	(2,592)
Depreciation	*11*	**17,117**	18,245
Fair value gains on investment properties	*12*	**(1,034)**	(1,759)
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	*21*	**865**	(526)
Fair value loss on unlisted investment	*16*	**–**	716
Foreign exchange differences, net		**(3,639)**	402
Operating lease rentals in respect of land and buildings		**1,083**	617
Auditors' remuneration:			
Audit fee paid to the auditors of the Company		**1,650**	1,330
Audit fee paid to other auditors		**297**	108
Non-audit fees paid to the auditors of the Company		**202**	474
Non-audit fees paid to other auditors		**122**	87
Employee benefit expense (excluding directors' remuneration *(note 35(b))*):			
Wages and salaries		**87,375**	87,122
Pension scheme contributions		**7,658**	7,084
		95,033	94,206
(Reversal of impairment)/impairment of trade receivables, net	*18(b)*	**(829)**	2,670
Gain on bargain purchase of a subsidiary#	*30*	**(2,695)**	–
Loss/(gain) on disposal of items of property, plant and equipment		**27**	(83)

* 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 income and gains, net" on the face of the consolidated statement of profit or loss and other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

7. FINANCE COSTS

	Group 2018 HK$'000	2017 HK$'000
Interest on bank and other borrowings	**3,436**	2,653
Interest on finance leases	**10**	18
	3,446	2,671

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Group 2018 HK$'000	2017 HK$'000 (restated)
Current		
Charge for the year	**6,348**	8,483
Underprovision/(overprovision) in prior years	**293**	(162)
	6,641	8,321
Deferred *(note 26)*	**238**	(1,869)
Total tax expense for the year	**6,879**	6,452

New Spirit Electronic Technology Development (Shenzhen) Company Limited, a wholly-owned subsidiary of the Group, is subject to a preferential tax rate of 15% (2017: 15%) as it was designated as a high technology enterprise for the years ended 30 June 2018 and 2017.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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	
	2018	2017
	HK$'000	HK$'000 (restated)
Profit before tax	**34,149**	40,524
Tax at the statutory rate of Hong Kong of 16.5% (2017: 16.5%)	**5,635**	6,686
Adjustments in respect of current tax of previous periods	**293**	(162)
Income not subject to tax	**(1,081)**	(1,375)
Expenses not deductible for tax	**667**	423
Tax losses utilised from previous periods	**(944)**	(698)
Tax losses not recognised	**2,406**	1,334
Profits and losses attributable to associates	**(22)**	(174)
Others	**(75)**	418
Tax expense at the Group's effective rate of 20.1% (2017, as restated: 15.9%)	**6,879**	6,452

The weighted average applicable tax rate was 20.1% (2017 as restated: 15.9%). 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.

NOTES TO FINANCIAL STATEMENTS

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9. DIVIDENDS

	Group	
	2018	2017
	HK$'000	HK$'000
Interim dividend – HK$0.068 (2017: HK$0.078) per ordinary share	**14,593**	16,728
Proposed final dividend – HK$0.118 (2017: HK$0.098) per ordinary share	**25,323**	21,031
	39,916	37,759

The proposed final dividend for the year ended 30 June 2017 was approved by the Company's shareholders at the annual general meeting held during the current financial year on 20 October 2017.

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.

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$28,000,000 (2017, as restated: HK$34,653,000), and the weighted average of 214,598,000 (2017: 214,495,671) 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$28,000,000 (2017, as restated: HK$34,653,000), as used in the basic earnings per share calculation, and 214,697,170 (2017: 214,638,320) ordinary shares, which was the weighted average of 214,598,000 (2017: 214,495,671) ordinary shares in issue during the year and the weighted average of 99,170 (2017:142,649) ordinary shares deemed to have been issued at no consideration on the deemed exercise of all the outstanding share options during the year.

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11. PROPERTY, PLANT AND EQUIPMENT

GROUP

	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
Year ended 30 June 2018						
At 30 June 2017 and at 1 July 2017:						
Cost or valuation	447,084	52,651	14,683	26,715	6,826	547,959
Accumulated depreciation	–	(38,711)	(11,865)	(22,866)	(4,327)	(77,769)
Net carrying amount, as previously reported	447,084	13,940	2,818	3,849	2,499	470,190
Impact of change in accounting policy *(note 2.2)*	(357,357)	–	–	–	–	(357,357)
Net carrying amount, as restated	89,727	13,940	2,818	3,849	2,499	112,833
As 1 July 2017, net of accumulated depreciation	89,727	13,940	2,818	3,849	2,499	112,833
Additions	–	2,325	211	1,118	–	3,654
Transfer to investment property	(704)	–	–	–	–	(704)
Disposal	–	–	(22)	(5)	–	(27)
Depreciation provided during the year	(5,652)	(7,497)	(1,829)	(1,406)	(733)	(17,117)
Acquisition of a subsidiary *(note 30)*	–	–	42	–	–	42
Exchange realignment	1,624	28	32	66	27	1,777
At 30 June 2018, net of accumulated depreciation	84,995	8,796	1,252	3,622	1,793	100,458
At 30 June 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

NOTES TO FINANCIAL STATEMENTS

30 June 2018

11. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP

	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
Year ended 30 June 2017						
At 1 July 2016:						
Cost or valuation	426,670	51,663	14,547	27,687	5,889	526,456
Accumulated depreciation	–	(32,217)	(9,676)	(21,370)	(4,550)	(67,813)
Net carrying amount, as previously reported	426,670	19,446	4,871	6,317	1,339	458,643
Impact of change in accounting policy *(note 2.2)*	(329,012)	–	–	–	–	(329,012)
Net carrying amount, as restated	97,658	19,446	4,871	6,317	1,339	129,631
At 1 July 2016, net of accumulated depreciation	97,658	19,446	4,871	6,317	1,339	129,631
Additions	–	2,233	181	1,544	2,198	6,156
Tax refund*	(1,487)	–	–	–	–	(1,487)
Disposal	–	–	–	(2,063)	(73)	(2,136)
Depreciation provided during the year	(5,432)	(7,723)	(2,214)	(1,918)	(958)	(18,245)
Exchange realignment	(1,012)	(16)	(20)	(31)	(7)	(1,086)
At 30 June 2017, net of accumulated depreciation	89,727	13,940	2,818	3,849	2,499	112,833
At 30 June 2017:						
Cost	129,064	52,651	14,683	26,715	6,826	229,939
Accumulated depreciation	(39,337)	(38,711)	(11,865)	(22,866)	(4,327)	(117,106)
Net carrying amount	89,727	13,940	2,818	3,849	2,499	112,833

* The amount represents progressive input tax claim on purchase of non-residential properties located at Singapore.

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 2018 was approximately HK$138,000 (2017: HK$283,000) (note 25).

NOTES TO FINANCIAL STATEMENTS

30 June 2018

12. INVESTMENT PROPERTIES

	Notes	Group 2018 HK$'000	2017 HK$'000
Carrying amount at beginning of financial year		**30,942**	30,071
Transfer from owner-occupied property	11	**704**	–
Surplus on revaluation upon transfer of property, plant and equipment to investment property		**28,996**	–
Net gains from fair value adjustments recognised in profit or loss	6	**1,034**	1,759
Exchange realignment		**753**	(888)
Carrying amount at end of financial year		**62,429**	30,942

Notes:

(a) The Group's investment properties are commercial properties situated in Hong Kong, Mainland China and Singapore. They are leased to third parties under operating leases, further summary details of which are included in note 33(a) to the financial statements.

(b) The Group's investment properties were revalued on 30 June 2018 by BMI Appraisals Limited and Bernard Valuers and Real Estate Consultants Pte. Ltd, independent professionally qualified valuers, using the direct comparison approach. 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 2018, 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.

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 (weighted average) 2018	2017
Commercial properties			
Property located in Hong Kong			
Direct comparison method	Price per square feet (s.q.f)	**HKD5,300 to HKD5,900**	N/A
Properties located in Mainland China			
Direct comparison method and income capitalisation method	(i) Capitalisation rate (%)	**4.0% to 4.5%**	3.8% to 4.7%
	(ii) Prevailing market rents	**RMB110 to RMB140 per s.q.m**	RMB110 to RMB180 per s.q.m
	(iii) Price per square metre (s.q.m)	**RMB24,500 to RMB29,000 per s.q.m**	RMB23,000 to RMB28,500 per s.q.m
Property located in Singapore			
Direct comparison method	Price per square feet (s.q.f)	**S$418 to S$558 per s.q.f**	S$418 to S$558 per s.q.f

NOTES TO FINANCIAL STATEMENTS

30 June 2018

12. INVESTMENT PROPERTIES (continued)

Notes: (continued)

(b) (continued)

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 and price per square metre or per square feet in isolation would each result in an increase/(decrease) in the fair value of the investment properties.

13. GOODWILL

	Group	
	2018	2017
	HK$'000	HK$'000
At beginning and end of financial year:		
Cost	**5,104**	5,104
Accumulated impairment	**(3,006)**	(3,006)
Net carrying amount	**2,098**	2,098

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

NOTES TO FINANCIAL STATEMENTS

30 June 2018

13. GOODWILL (continued)

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:

	2018 HK$'000	2017 HK$'000
Components Distribution	**1,901**	1,901
IT Infrastructure	**197**	197
Total	**2,098**	2,098

IMPAIRMENT ASSESSMENT

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% (2017: 3%) per annum. The discounted rate applied to cash flow projections range is 6% (2017: range between 5% and 6%).

Assumptions were used in the value in use calculation of the relevant cash-generating units for 30 June 2018 and 2017. 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 (2017: Nil).

NOTES TO FINANCIAL STATEMENTS

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14. INVESTMENTS IN SUBSIDIARIES

	Note	Company 2018 HK$'000	2017 HK$'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)*	**49,464**	49,886

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
Kepro Solutions Limited^	Hong Kong	Ordinary HK$1,000,000	100	Provision of computer data storage management solutions and services

NOTES TO FINANCIAL STATEMENTS

30 June 2018

14. 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
Sen Spirit Technology Limited^	Hong Kong	Ordinary HK$1,000,000	100	Distribution of computer products and peripherals
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
IMI Kabel 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
KCF A Store Limited^	Hong Kong	Ordinary HK$2,500,000	80	Distribution electronic products and accessories

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

^ Audited by Ernst & Young, Hong Kong

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.

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14. INVESTMENTS IN SUBSIDIARIES (continued)

Notes: (continued)

(b) The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. 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.

15. INVESTMENTS IN ASSOCIATES

		Group	
	Note	**2018 HK$'000**	2017 HK$'000
Share of net assets	*(a)*	**2,109**	1,828

Notes:

(a) Particulars of associates 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
MasterKloud Technology Limited ("**MasterKloud**")	Hong Kong	HK$100,000	20	Cloud-related technology services and hosting cloud solutions for corporate customers

The Group's voting power held and profit sharing arrangement in relation to SCIT is 30% (2017: 30%). The Group's voting power held and profit sharing arrangement in relation to MasterKloud is 20% (2017: Nil). SCIT and MasterKloud are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(b) 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 current year and cumulatively were approximately HK$1,050,000 (2017: Nil) and HK$1,050,000 (2017: Nil), respectively.

NOTES TO FINANCIAL STATEMENTS

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15. 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	
	2018	2017
	HK$'000	HK$'000
Share of SCIT profit for the year and total comprehensive income for the year	**235**	1,055
Aggregate carrying amount of the Group's investment in SCIT	**2,109**	1,828

16. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group	
		2018	2017
	Notes	**HK$'000**	HK$'000
Non-current			
Unlisted equity investment	*(a)*	–	1,663
Current			
Unlisted financial products	*(b)*	–	9,939

Notes:

(a) On 25 June 2015, the Group entered 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 with two non-financial options. The investment in the Project was classified as a financial asset at fair value through profit or loss and was stated at fair value at 30 June 2017. The fair value in prior year was determined by BMI Appraisals Limited, an independent professionally qualified valuer. During the current year, the option expired and the balance was reclassified to prepayment.

During the year ended 30 June 2017, fair value loss of the financial asset at fair value through profit or loss amounting to HK$716,000 was charged to profit or loss as "Other expenses, net".

(b) The unlisted principal unprotected financial products were purchased from banks in the PRC which bore variable interest rates.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

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

FAIR VALUE HIERARCHY

At 30 June 2017, 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.

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

	Group	
	2018	2017
	HK$'000	HK$'000
Carrying amount at beginning of year	**11,602**	2,401
Additions	**–**	9,939
Receipt of dividends	**(199)**	(22)
Net loss from a fair value adjustment recognised in profit or loss *(note 6)*	**–**	(716)
Disposal of unlisted financial products	**(10,373)**	–
Transfer of unlisted equity investment to prepayment upon expiration of the non-financial option	**(1,464)**	–
Exchange realignment	**434**	–
Carrying amount at end of year	**–**	11,602

Below is a summary of the valuation techniques used and the key inputs to the valuation in the prior year:

	Valuation techniques	Significant unobservable inputs	Input/range of input (weighted average)
Unlisted equity investment	Probability-weighted	(i) Discount rate	13.72%
		(ii) Probability of each scenario	3% to 50%
		(iii) Growth rate	-77.78% to 10.00%
		(iv) Product life cycle	3 to 10 years
Unlisted financial products	N/A	Estimate return rate	3% increase/(decrease) estimate rate of return return would result in an increase/(decrease) in fair value by HK$298,000

17. INVENTORIES

Inventories of the Group are trading stocks.

NOTES TO FINANCIAL STATEMENTS

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18. TRADE AND BILLS RECEIVABLES

		Group	
		2018	2017
	Notes	**HK$'000**	HK$'000
Trade receivables	*(a)*	**424,599**	392,984
Less: Impairment of trade receivable	*(b)*	**(5,718)**	(7,574)
		418,881	385,410
Bills receivables		**13,365**	4,210
		432,246	389,620
Portion classified as current assets		**(429,911)**	(383,801)
Non-current portion		**2,335**	5,819

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. An estimate for doubtful debts is made when collection of the full amount is no longer probable and bad debts are written off as incurred.

(b) The movements in the provision for impairment of trade receivables are as follows:

	Group	
	2018	2017
	HK$'000	HK$'000
At beginning of financial year	**7,574**	5,256
(Reversal of impairment)/impairment losses recognised *(note 6)*	**(829)**	2,670
Amount written off as uncollectible	**(1,174)**	(133)
Exchange realignment	**147**	(219)
At end of financial year	**5,718**	7,574

As at 30 June 2018, trade receivables of HK$5,718,000 (2017: HK$7,574,000) were impaired. The individually impaired receivables mainly relate to customers that were in financial difficulties and management assessed that the receivables are not expected to be recovered.

NOTES TO FINANCIAL STATEMENTS

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18. TRADE AND BILLS RECEIVABLES (continued)

(c) The ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2018	2017
	HK$'000	HK$'000
Neither past due nor impaired	**314,782**	285,979
Past due for less than one month	**51,609**	59,462
Past due for one to three months	**32,906**	33,040
Past due for over three months	**19,584**	6,929
	418,881	385,410

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

19. FACTORED TRADE RECEIVABLES

The Group entered into receivable purchase agreements with a financial institution for the factoring of trade receivables with certain designated customers. At 30 June 2018, trade receivables factored to the financial institution aggregating to approximately HK$3,929,000 (2017: HK$9,092,000) 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$3,683,000 (2017: HK$6,414,000) received by the Group as consideration at 30 June 2018 were recognised as "factoring loans" and included in "interest-bearing bank and other borrowings" (note 24).

At 30 June 2018, the aforementioned factored trade receivables were neither past due nor impaired.

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20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2018	2017
	HK$'000	HK$'000
Prepayments	**37,243**	49,240
Deposits	**1,487**	322
Other receivables	**7,637**	2,665
	46,367	52,227
Current portion included in prepayments, deposits and other receivables	**(46,367)**	(51,878)
Non-current portion	**–**	349

None of the above assets is either past due or impaired. The financial assets included in the above balances, including deposits and other receivables, relate to receivables for which there was no recent history of default.

21. FORWARD CURRENCY CONTRACTS

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 losses of non-hedging currency derivatives amounting to HK$865,000 were debited to profit or loss as "Other expenses, net" during the year. Fair value gains of non-hedging currency derivatives amounting to HK$526,000 were credited to profit or loss as "Other income and gains, net" in 2017.

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.

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22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Cash and bank balances	**54,211**	56,950	**495**	475

At 30 June 2018, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to HK$9,007,000 (2017: HK$4,264,000). 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.

23. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Trade payables	**229,707**	197,459	**–**	–
Receipts in advance	**49,728**	62,435	**–**	–
Other payables	**7,841**	10,598	**–**	–
Accruals	**23,037**	16,744	**3,156**	690
Other payables and accruals	**80,606**	89,777	**3,156**	690
	310,313	287,236	**3,156**	690
Current portion included in trade payables, other payables and accruals	**(302,283)**	(287,236)	**(3,156)**	(690)
Non-current portion	**8,030**	–	**–**	–

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

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24. INTEREST-BEARING BANK AND OTHER BORROWINGS

GROUP

	2018		2017	
	Maturity	**HK$'000**	Maturity	HK$'000
Current				
Finance lease payables *(note 25)*	**2019**	**133**	2018	167
Bank loans, unsecured	**2019**	**136,346**	2018	92,116
Factoring loans, unsecured *(note 19)*	**2019**	**3,683**	2018	2,694
		140,162		94,977
Non-current				
Finance lease payables *(note 25)*		–	2019	133
Factoring loans, unsecured *(note 19)*		–	2019	3,720
		–		3,853
		140,162		98,830

All the bank and other borrowings of the Group as at 30 June 2018 and 2017 were denominated in Hong Kong dollars. At 30 June 2018, bank borrowings of HK$136,346,000 (2017: HK$92,116,000) were covered by cross corporate guarantees given by the Company and certain of its subsidiaries.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

25. FINANCE LEASE PAYABLES

The Group leases certain of its office equipment of which the leases are classified as finance leases and have remaining lease terms within one year (2017: two years) from 30 June 2018.

At the end of reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Amounts payable:				
Within one year	**135**	178	**133**	167
In the second year	**–**	135	**–**	133
Total minimum finance lease payments	**135**	313	**133**	300
Future finance charges	**(2)**	(13)		
Total net finance lease payables	**133**	300		
Portion classified as current liabilities *(note 24)*	**(133)**	(167)		
Non-current portion *(note 24)*	**–**	133		

At 30 June 2018, the finance lease obligations were secured by the underlying office equipment acquired (note 11).

NOTES TO FINANCIAL STATEMENTS

30 June 2018

26. DEFERRED TAX

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

GROUP

	Notes	Assets provision HK$'000	Losses available for offsetting against future taxable profits HK$'000	Tax depreciation allowance in excess of related depreciation HK$'000	Revaluation of land and buildings and investment properties to fair value HK$'000	Fair value adjustment from acquisition of a subsidiary HK$'000	Total HK$'000
At 1 July 2016, as previously reported		1,448	860	(13,786)	(57,696)	–	(69,174)
Impact of change in accounting policy	*2.2(ii)*	–	–	10,270	57,696	–	67,966
At 1 July 2016, as restated		1,448	860	(3,516)	–	–	(1,208)
Deferred tax credited/(charged) to profit or loss during the year	*8*	(277)	2,308	(162)	–	–	1,869
Exchange realignment, as restated		(6)	–	(1)	–	–	(7)
At 30 June 2017 and at 1 July 2017, as restated		**1,165**	**3,168**	**(3,679)**	**–**	**–**	**654**
Acquisition of subsidiary	*30*	**–**	**–**	**–**	**–**	**(202)**	**(202)**
Deferred tax credited/(charged) to profit or loss during the year	*8*	**(535)**	**(16)**	**204**	**–**	**109**	**(238)**
Exchange realignment		**17**	**–**	**(36)**	**–**	**–**	**(19)**
At 30 June 2018		**647**	**3,152**	**(3,511)**	**–**	**(93)**	**195**

NOTES TO FINANCIAL STATEMENTS

30 June 2018

26. DEFERRED TAX (continued)

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:

	2018 HK$'000	2017 HK$'000 (restated)
Deferred tax assets	**3,461**	3,658
Deferred tax liabilities	**(3,266)**	(3,004)
	195	654

Notes:

(a) At 30 June 2018 and 2017, 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 2018 and 2017, 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 2018, 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$8,493,000 (2017: HK$7,293,000).

(c) At 30 June 2018, deferred tax assets have not been recognised in respect of unused tax losses of HK$34,590,000 (2017 as restated: HK$20,008,000) 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$1,266,000 (2017: HK$4,184,000) will expire in five years.

NOTES TO FINANCIAL STATEMENTS

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27. SHARE CAPITAL

(i) SHARES

	Group and Company 2018 HK$'000	2017 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	**1,000,000**	1,000,000
Issued and fully paid:		
214,610,000 (2017: 214,610,000) ordinary shares of HK$0.1 each	**21,461**	21,461

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 July 2016	214,460,000	21,446	45,587	67,033
Share options exercised *(Note)*	150,000	15	173	188
At 30 June 2017, 1 July 2017 and 30 June 2018	**214,610,000**	**21,461**	**45,760**	**67,221**

Note: During the prior year, the subscription rights attaching to 150,000 share options were exercised at the subscription price of S$0.1608 per share (note 28), resulting in the issue of 150,000 shares of HK$0.10 each for a total cash consideration, before expenses, of HK$132,000. An amount of HK$56,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(ii) TREASURY SHARES

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

	Number of shares	Amount HK$'000
At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018	12,000	19

NOTES TO FINANCIAL STATEMENTS

30 June 2018

28. 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 all outstanding and unexercised options will continue to be effective and exercisable in accordance with the terms and conditions of the 2005 ESOS. 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 2018

28. SHARE OPTION SCHEMES (continued)

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

	Notes	2018 Number of options '000	2018 Weighted average exercise price Singapore dollar ("S$") per share	2017 Number of options '000	2017 Weighted average exercise price Singapore dollar ("S$") per share
At beginning of financial year	*(a)*	**150**	**0.1060**	300	0.1334
Exercised during the year	*(b)*	**–**	**–**	(150)	0.1608
At end of financial year	*(c)*	**150**	**0.1060**	150	0.1060

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 during 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$173,000 (before issue expenses), as further detailed in note 27 to the financial statements.

At the end of the reporting period, the Company had 150,000 (2017: 150,000) share options outstanding under the 2005 ESOS. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 150,000 (2017: 150,000) additional ordinary shares of the Company and additional share capital of HK$15,000 (2017: HK$15,000) and share premium of HK$78,000 (2017: HK$124,000) (before issue expenses and transfer from share option reserve).

At the date of approval of these financial statements, the Company had 150,000 share options outstanding under the 2005 ESOS, which represented approximately 0.07% of the Company's shares in issue as at that date.

(c) The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Exercise price* S$ per share	Exercise period	Number of share options At 30 June 2018 '000	Number of share options At 30 June 2017 '000
0.1060	7 November 2010 – 6 November 2018	**150**	150

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

29. 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. No transfer was made in the current and prior years as the general reserves of the relevant subsidiaries had reached 50% of their respective registered capital.

(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.

(b) COMPANY

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2016		45,587	36,311	115	21,796	103,809
Profit for the year and total comprehensive income for the year		–	–	–	42,024	42,024
Issue of shares under the 2005 ESOS	*27, 28(b)*	173	–	(56)	–	117
Final 2016 dividend paid		–	–	–	(25,306)	(25,306)
Interim 2017 dividend paid	9	–	–	–	(16,728)	(16,728)
At 30 June 2017 and at 1 July 2017		**45,760**	**36,311**	**59**	**21,786**	**103,916**
Profit for the year and total comprehensive income for the year		**–**	**–**	**–**	**32,756**	**32,756**
Final 2017 dividend paid	9	**–**	**–**	**–**	**(21,031)**	**(21,031)**
Interim 2018 dividend paid	9	**–**	**–**	**–**	**(14,593)**	**(14,593)**
At 30 June 2018		**45,760**	**36,311**	**59**	**18,918**	**101,048**

NOTES TO FINANCIAL STATEMENTS

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30. ACQUISITION OF A SUBSIDIARY

On 1 April 2018, Karin Technology (BVI) Limited ("**Karin BVI**"), an indirect wholly-owned subsidiary of the Group, acquired a 80% equity interest in KCF A Store Limited ("**KCF**") from Mr. Sham Wai Kit, an independent third party, at a cash consideration of HK$2,000,000.

The fair value of the identifiable assets and liabilities of KCF as at the date of acquisition were as follows:

	Note	HK$'000
Property, plant and equipment	*11*	42
Inventories		9,037
Trade receivables		7,489
Prepayments, deposits and other receivables		4,044
Cash and cash equivalent		6,731
Trade payables		(613)
Other payables and accruals		(20,217)
Income tax payable		(442)
Deferred tax liabilities	*26*	(202)
Total identifiable net assets at fair value		5,869
Non-controlling interest		(1,174)
		4,695
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss and other comprehensive income	*5*	(2,695)
Satisfied by cash		2,000

The Group incurred transaction costs of HK$127,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Since the date of the acquisition, the KCF in aggregate contributed approximately HK$16,722,000 and HK$484,000 to the Group's revenue and consolidated loss, respectively, for the year ended 30 June 2018.

Had the acquisition of KCF taken place at the beginning of the year, the revenue of the Group and the profit of the Group would have been approximately HK$2,122,767,000 and HK$36,610,000, respectively.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

30. ACQUISITION OF A SUBSIDIARY (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(2,000)
Cash and bank balances acquired	6,731
Net inflow of cash and cash equivalents included in cash flows from investing activities	4,731
Transaction costs of the acquisition included in cash flows from operating activities	(127)
	4,604

31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank and factoring loans HK$'000	Finance lease payables HK$'000
At 1 July 2017	98,530	300
Changes from financing cash flows	41,148	(163)
Effect of changes in foreign exchange rate	351	(4)
At 30 June 2018	140,029	133

NOTES TO FINANCIAL STATEMENTS

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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	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'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**	928,188
Guarantees given to suppliers in connection with credit facilities granted to subsidiaries	**–**	–	**156,964**	173,500
	207	207	**856,964**	1,101,688

As at 30 June 2018, 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$136,346,000 (2017: HK$74,840,000) and HK$64,722,000 (2017: HK$37,878,000), respectively.

33. OPERATING LEASE ARRANGEMENTS

(a) AS LESSOR

The Group leases its investment properties (note 12) and servers to third parties under operating lease arrangements, with leases negotiated for terms ranging from two to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2018 HK$'000	2017 HK$'000
Within one year	**637**	355
In the second to fifth years, inclusive	**14**	–
	651	355

NOTES TO FINANCIAL STATEMENTS

30 June 2018

33. OPERATING LEASE ARRANGEMENTS (continued)

(b) AS LESSEE

The Group leases certain of its warehouses, offices and office equipment under operating lease arrangements with leases negotiated for terms ranging from one to five years (2017: one to five years).

At the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2018	2017
	HK$'000	HK$'000
Within one year	**1,265**	178
In the second to fifth years, inclusive	**2,110**	175
	3,375	353

Payment obligations in respect of the contingent rent payables are not included in the above future minimum lease payment calculation.

34. CAPITAL COMMITMENTS

At 30 June 2017, the Group had capital commitments in respect of renovation of buildings of HK$210,800.

35. 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.

(b) REMUNERATION OF DIRECTORS

	2018	2017
	HK$'000	HK$'000
Fees	**802**	757
Other emoluments	**8,605**	6,416
	9,407	7,173

NOTES TO FINANCIAL STATEMENTS

30 June 2018

35. RELATED PARTY DISCLOSURES (continued)

(b) REMUNERATION OF DIRECTORS (continued)

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
Year ended 30 June 2018			
Below S$250,000 (HK$1,430,000)	**–**	**3**	**3**
S$250,000 to S$500,000 (HK$1,430,000 to HK$2,859,000)	**3**	**–**	**3**
	3	**3**	**6**
Year ended 30 June 2017			
Below S$250,000 (HK$1,416,000)	–	3	3
S$250,000 to S$500,000 (HK$1,416,000 to HK$2,832,000)	3	–	3
	3	3	6

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

	2018 **HK$'000**	2017 HK$'000
Short term employee benefits	**15,278**	14,995
Post-employment benefits	**418**	162
Total compensation paid to key management personnel	**15,696**	15,157

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.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

36. 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 2018

	Group			Company
	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Total HK$'000	Loans and receivables HK$'000
Financial assets				
Trade and bills receivables	–	432,246	432,246	–
Factored trade receivables	–	3,929	3,929	–
Financial assets included in prepayments, deposits and other receivables	–	9,124	9,124	–
Forward currency contracts	8	–	8	–
Amounts due from subsidiaries	–	–	–	49,464
Cash and cash equivalents	–	54,211	54,211	495
	8	499,510	499,518	49,959

	Group	Company
	Financial liabilities at amortised cost HK$'000	Financial liabilities at amortised cost HK$'000
Financial liabilities		
Trade payables	229,707	–
Financial liabilities included in other payables and accruals	11,943	154
Interest-bearing bank and other borrowings other than finance lease payables	140,029	–
Amount due to a subsidiary	–	621
Finance lease payables	133	–
	381,812	775

NOTES TO FINANCIAL STATEMENTS

30 June 2018

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

At 30 June 2017

	Group			Company
	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Total HK$'000	Loans and receivables HK$'000
Financial assets				
Trade and bills receivables	–	389,620	389,620	–
Factored trade receivables	–	9,092	9,092	–
Financial asset at fair value through profit or loss	11,602	–	11,602	–
Financial assets included in prepayments, deposits and other receivables	–	2,987	2,987	–
Forward currency contracts	873	–	873	–
Amounts due from subsidiaries	–	–	–	49,886
Cash and cash equivalents	–	56,950	56,950	475
	12,475	458,649	471,124	50,361

	Group	Company
	Financial liabilities at amortised cost HK$'000	Financial liabilities at amortised cost HK$'000
Financial liabilities		
Trade payables	197,459	–
Financial liabilities included in other payables and accruals	16,051	145
Interest-bearing bank and other borrowings other than finance lease payables	98,530	–
Amount due to a subsidiary	–	621
Finance lease payables	300	–
	312,340	766

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 2018

37. 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 21 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. The allowance for doubtful debts is based upon a review of the expected collectability of all trade receivables. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, deposits, and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure being equal to the carrying amounts of these instruments. There is no significant concentration of credit risk within the Group in relation to these other financial assets.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

37. 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 Group's financial liabilities as at 30 June 2018, based on the contractual undiscounted payments, of approximately HK$373,782,000 (2017: HK$308,487,000) and HK$8,278,000 (2017: HK$3,866,000) would mature within one year and over one year, respectively. Further details of the financial liabilities of the Group are set out in note 36 to the financial statements. The balances due within one year and over one year approximate to their carrying balances as the impact of the discount is not significant. In addition, as at 30 June 2018, the Group had a bank guarantee given in lieu of a utility deposit of HK$207,000 (2017: HK$207,000), which was repayable on demand.

The Company's financial liabilities as at 30 June 2018, based on the contractual undiscounted payments, of approximately HK$775,000 (2017: HK$766,000) would mature within one year. Further details of the financial liabilities of the Company are set out in note 36 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 2018, the Company had guarantees given to banks and suppliers in connection with facilities granted to subsidiaries and utilised as to an aggregate of HK$201,068,000 (2017: HK$112,718,000) which were repayable on demand, further details of which are disclosed in note 32 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

30 June 2018

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 2018 and 2017.

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	
	2018	2017
	HK$'000	HK$'000
		(restated)
Interest-bearing bank and other borrowings other than finance lease payables	**140,029**	98,530
Finance lease payables	**133**	300
	140,162	98,830
Total equity	**438,017**	408,004
Gearing ratio	**0.32**	0.24

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 September 2018.

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				
	2018 HK$'000	2017 HK$'000 (restated)	2016 HK$'000(#)	2015 HK$'000(#)	2014 HK$'000(#)
REVENUE	**2,013,340**	1,867,924	2,237,932	3,243,374	3,079,430
Cost of sales	**(1,851,051)**	(1,702,262)	(2,058,137)	(2,964,437)	(2,866,479)
Gross profit	**162,289**	165,662	179,795	278,937	212,951
Other income and gains, net	**14,512**	7,479	5,756	4,594	7,483
Selling and distribution costs	**(65,223)**	(60,359)	(64,402)	(82,952)	(80,299)
Administrative expenses	**(74,055)**	(66,710)	(93,377)	(96,840)	(87,154)
Other expenses, net	**(63)**	(3,932)	(6,015)	(3,282)	(205)
Finance costs	**(3,446)**	(2,671)	(2,258)	(1,939)	(2,016)
Share of profits and losses of associates	**135**	1,055	654	294	111
PROFIT BEFORE TAX	**34,149**	40,524	20,153	98,812	50,871
Income tax expense	**(6,879)**	(6,452)	(9,055)	(18,650)	(10,908)
PROFIT FOR THE YEAR	**27,270**	34,072	11,098	80,162	39,963
Profit for the year attributable to:					
Owners of the Company	**28,000**	34,653	13,651	62,877	37,449
Non-controlling interests	**(730)**	(581)	(2,553)	17,285	2,514
	27,270	34,072	11,098	80,162	39,963
Earnings Before Interest, Tax, Depreciation and Amortisation	**54,712**	61,440	62,793	137,607	84,227
Core Profit After Tax (*)	**25,652**	32,900	18,601	80,921	38,732

(*) Profit for the year before the follows:
- exchange (gain)/loss;
- (reversal of impairment)/impairment of trade receivables;
- write-down/(reversal of write-down) and write-off of obsolete inventories to net realizable value;
- fair value gains on investment properties;
- fair value losses/(gains) on financial asset at fair value through profit or loss;
- fair value losses on derivative financial instruments;
- loss/(gain) on disposal of items of property, plant and equipment; and
- gain on bargain purchase of a subsidiary.

(#) As a result of the adoption of the cost model under IAS 16, the Group has changed its accounting policy with respect to leasehold land and buildings. This change in accounting policy has been applied retrospectively by restating the balances as at 30 June 2017 and 1 July 2016, and the results for the year ended 30 June 2017. Figures in years earlier than 2017 are stated in accordance with the policies applicable in those years.

FINANCIAL SUMMARY

FIVE YEAR FINANCIAL SUMMARY (continued)

	As at 30 June				
	2018 HK$'000	2017 HK$'000 (restated)	2016 HK$'000 (restated)	2015 HK$'000[#]	2014 HK$'000[#]
Non-current assets	**173,840**	161,090	179,552	431,063	405,026
Current assets	**723,894**	645,583	687,094	816,937	656,259
Current liabilities	**(448,421)**	(391,812)	(444,549)	(522,804)	(417,129)
Net current assets	**275,473**	253,771	242,545	294,133	239,130
Total assets less current liabilities	**449,313**	414,861	422,097	725,196	644,156
Non-current liabilities	**(11,296)**	(6,857)	(5,745)	(58,708)	(52,986)
Net assets	**438,017**	408,004	416,352	666,488	591,170
Equity attributable to owners of the Company	**439,264**	409,863	418,204	643,840	578,777
Non-controlling interests	**(1,247)**	(1,859)	(1,852)	22,648	12,393
Total equity	**438,017**	408,004	416,352	666,488	591,170
Debtors turnover days	**74.5**	75.1	63.7	43.3	42.6
Creditors turnover days	**41.3**	42.8	38.4	26.4	22.0
Inventories turnover days	**32.1**	35.3	36.1	23.7	21.1

[#] As a result of the adoption of the cost model under IAS 16, the Group has changed its accounting policy with respect to leasehold land and buildings. This change in accounting policy has been applied retrospectively by restating the balances as at 30 June 2017 and 1 July 2016, and the results for the year ended 30 June 2017. Figures in years earlier than 2017 are stated in accordance with the policies applicable in those years.

STATISTICS OF SHAREHOLDINGS

STATISTICS OF SHAREHOLDERS AS AT 12 SEPTEMBER 2018

Authorised share capital	:	HK$1,000,000,000
Issued and fully paid-up capital excluding treasury shares and subsidiary holdings	:	HK$21,459,800
Total number of issued shares excluding treasury shares and subsidiary holdings	:	214,598,000
Number of Subsidiary Holdings held	:	Nil
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	% of Holders	No. of Shares (excluding treasury shares)	% of Shares*
1 – 99	0	0.00	0	0.00
100 – 1,000	104	15.73	89,200	0.04
1,001 – 10,000	219	33.13	1,340,900	0.63
10,001 – 1,000,000	323	48.87	22,713,175	10.58
1,000,001 and above	15	2.27	190,454,725	88.75
TOTAL	661	100.00	214,598,000	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 12 September 2018)

	Direct Interest		Deemed Interests	
Name	No. of shares held	%*	No. of shares held	%*
Asia Platform Investment Limited	70,639,950	32.92	–	–
Kikki Investment Ltd	70,639,950	32.92	–	–
Ng Yuk Wing, Philip	–	–	72,151,950[(1) (3)]	33.62
Ng Kin Wing, Raymond	–	–	70,639,950[(2)]	32.92
Ng Mun Kit, Michael	–	–	70,639,950[(1)]	32.92

STATISTICS OF SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS (continued)

Notes:–

(1) Asia Platform Investment Limited is an investment holding company which is owned by Mr. Ng Yuk Wing, Philip and Mr. Ng Mun Kit, Michael.

(2) Mr. Ng Kin Wing, Raymond is deemed to be interested as Kikki Investment Ltd is the trustee of the Kiki Holdings Unit Trust, all units of which are held by discretionary trust known as SUELO Trust whose discretionary objects are Ng Kin Wing, Raymond's immediate family members.

(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 Ng Yuk Wing, Philip.

* Percentages are calculated based on the total number of issued shares, excluding treasury shares and subsidiary holdings as at 12 September 2018.

LIST OF 20 LARGEST SHAREHOLDERS

No.	Shareholder's name	Number of Shares Held	%*
1	Asia Platform Investment Limited	70,639,950	32.92
2	Kikki Investment Ltd	70,639,950	32.92
3	Rigel Technology (Singapore) Pte Ltd	9,472,600	4.41
4	Ng Eng Seng	7,895,400	3.68
5	DBS Vickers Securities (Singapore) Pte Ltd	7,857,925	3.66
6	DB Nominees (Singapore) Pte Ltd	6,700,000	3.12
7	Seet Christina	4,000,000	1.86
8	Wee Hian Kok	2,763,000	1.29
9	Cheng Kim Man Edwin	2,000,000	0.93
10	Ng Hock Kon	1,862,700	0.87
11	Leung Tak Ching	1,512,000	0.70
12	Lim Mee Hwa	1,350,000	0.63
13	Tan Ming Kirk Richard	1,350,000	0.63
14	DBS Nominees Pte Ltd	1,245,400	0.58
15	OCBC Securities Private Ltd	1,165,800	0.54
16	Kim Soo Koong	1,000,000	0.47
17	Phillip Securities Pte Ltd	994,800	0.46
18	Seah Kun Liap	917,000	0.43
19	Yeo Whee Kiak	812,800	0.38
20	Lai Weng Kay	597,000	0.28
	Total	**194,776,325**	**90.76**

* Percentage is based on 214,598,000 Shares (excluding shares held as treasury shares and subsidiary holdings) as at 12 September 2018. Treasury shares as at 12 September 2018 is 12,000 shares.

STATISTICS OF SHAREHOLDINGS

TREASURY SHARES

Number of ordinary shares purchased and held as treasury shares as at 12 September 2018: 12,000.

Percentage of such holding against the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings): 0.01%.

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

Based on information available and to the best knowledge of the Company as at 12 September 2018, approximately 30.57%* 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 12 September 2018.

INFORMATION ABOUT INVESTMENT PROPERTIES HELD

MAJOR PROPERTIES HELD FOR INVESTMENT PURPOSE:

Location	Purpose of property	Tenure of land	Term of lease
Units 701 to 704 and 709 to 710 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 held at Topaz & Opal Room, Level 2, Sheraton Towers Singapore, 39 Scotts Road, Singapore 228230 on Thursday, 25 October 2018 at 10:00 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2018 together with the Directors' Report and the Auditor's Report thereon. **(Resolution 1)**

2. To approve a final dividend of HK11.8 cents per ordinary share for the financial year ended 30 June 2018. **(Resolution 2)**

3. To approve Directors' Fees of HK$802,000 for the financial year ended 30 June 2018. **(Resolution 3)**

4. To re-elect the following Directors retiring pursuant to Bye-law 86 of the Company's Bye-laws (the "**Bye-laws**"), and who, being eligible, offer themselves for re-election:

   (i) Prof. Ng Tung Sang *(See explanatory Note 1)* **(Resolution 4)**

   (ii) Mr. Lee Yiu Chung, Eugene *(See explanatory Note 2)* **(Resolution 5)**

5. To re-elect Mr. Ng Mun Kit, Michael who is retiring pursuant to Bye-law 85(6) of the Company's Bye-laws (the "**Bye-laws**"), and who, being eligible, offer himself for re-election. *(See explanatory Note 3)* **(Resolution 6)**

6. To re-appoint Ernst & Young, Hong Kong as auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

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:

7. Authority to allot and issue shares **(Resolution 8)**

"That, pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company 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% of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below). Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

NOTICE OF ANNUAL GENERAL MEETING

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued Shares (excluding treasury Shares and subsidiary holdings) 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;

(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

(4) (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 4)*

8. Authority to allot and issue Shares under the Karin Performance Share Plan **(Resolution 9)**

"That the Directors of the Company be and are hereby authorised to grant awards in accordance with the provisions of the Karin Performance Share Plan (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 Explanatory Note 5)*

NOTICE OF ANNUAL GENERAL MEETING

9. Authority to grant options and issue shares under the 2014 Karin Employee Share Option Scheme **(Resolution 10)**

"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 6)*

10. Authority to Grant Options at a Discount under the 2014 Karin Employee Share Option Scheme **(Resolution 11)**

"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 12)**

"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 hereafter 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 7)*

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL RESOLUTION

To consider and, if thought fit, to pass the following resolution as Special Resolutions, with or without any modifications:

12. Proposed Amendments to the Bye-Laws of The Company **(Resolution 13)**

"THAT

(a) the amendments to the Bye-Laws of the Company as set out in the Appendix dated 3 October 2018 accompanying this Notice of Annual General Meeting be and are hereby approved and adopted as the Bye-Laws of the Company in substitution for, and to the exclusion of, Existing Bye-Laws; and

(b) the Directors of the Company and/or any of them be and are hereby authorized to complete and to do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorized by this resolution.

13. To transact any other business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Wong Chi Cheung, Clarence
Chan Lai Yin
Joint Company Secretaries

Singapore, 3 October 2018

Explanatory Notes on Businesses to be Transacted:–

1. Prof. Ng Tung Sang, if re-elected, will remain as Chairman of the Nominating Committee, Member of Audit and Risk Management Committee and Remuneration Committee. Prof. Ng Tung Sang will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. The detailed information of Prof Ng Tung Sang can be found under Board of Directors Section of the Company's Annual Report. There are no relationships (including immediate family relationship) between Prof. Ng Tung Sang and the other Directors and the Company or its 10% shareholders.

2. Mr. Lee Yiu Chung, Eugene is an Executive Director. The detailed information of Mr. Lee Yiu Chung, Eugene can be found under Board of Directors section of the Company's Annual Report. There are no relationships (including immediate family relationship) between Mr. Lee Yiu Chung, Eugene and the other Directors and the Company or its 10% shareholders.

3 Mr. Ng Mun Kit, Michael is an Executive Director of the Company. The detailed information of Mr. Ng Mun Kit, Michael can be found under Board of Directors section of the Company's Annual Report. Mr. Ng Mun Kit, Michael is the son of Mr. Ng Yuk Wing, Philip, a substantial shareholder of the Company. He is nephew of Mr. Ng Kin Wing, Raymond and Mr. Ng Kam Wing, Allan, Executive Chairman & Chief Executive Officer and Chief Technology Officer of the Group respectively. Save as aforesaid, there are no relationships (including immediate family relationship) between Mr. Ng Mun Kit, Michael and the other Directors and the Company or its 10% shareholders.

NOTICE OF ANNUAL GENERAL MEETING

4. Resolution 8, 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.

5. Resolution 9, if passed, will empower the Directors, from the date of the above meeting until the next Annual General Meeting, to grant awards 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 Plan, provided 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) from time to time.

6. Resolution 10, 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.

7. Resolution 12, 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.

Notes:–

1. If a Member being a Depositor whose name appears in the Depository Register (as defined in Bye-Laws of the Company) wishes to attend and vote at the Annual General Meeting, then he/she/it should complete the Proxy Form and deposit the duly completed Proxy Form at the office of the Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.) either by hand to 80 Robinson Road, #11-02, Singapore 068898 or by post to 80 Robinson Road, #02-00, Singapore 068898 at least forty-eight (48) hours before the time of the Annual General Meeting.

2. If a Depositor wishes to appoint a proxy/proxies, then the Proxy Form must be signed and deposited at the office of the Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.), at least forty-eight (48) hours before the time of the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

BOOKS CLOSURE DATE

Subject to approval of Shareholders at the Annual General Meeting, the Register of Members and Share Transfer Books of the Company will be closed on 2 November 2018, for the purpose of determining Members' entitlements to a final dividend of HK11.8 cents per ordinary share for the financial year ended 30 June 2018 (the "**Proposed Final Dividend**").

Duly completed registrable transfers in respect of the shares in the Company received up to the close of business at 5:00 p.m. on 1 November 2018 by the Company's Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.), 80 Robinson Road, #02-00, Singapore 068898 will be registered to determine Members' entitlements to the Proposed 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 1 November 2018 will be entitled to the Proposed Final Dividend.

The Proposed Final Dividend, if approved at the Annual General Meeting, will be paid on 22 November 2018.

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed 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) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Karin Technology Holdings Limited

STORY BEHIND KARIN'S NAME AND LOGO

When Karin Electronics Supplies Company, a business registration which subsequently became a corporation limited by shares, was founded far back in 1977 by our Executive Advisor, Mr. Philip Ng, there were two things on his mind. First of all, he wanted the business to succeed and to do this, he needed to make money. Secondly, not only did he need to work hard to establish the company, but he also needed a little bit of help from Lady Luck to meet the right people at the right time.

At that time, his vision for his new company was to add a "0" behind both the top and bottom lines every year in the hope that one day, this will eventually become millions and billions in earnings. In Cantonese, "嘉靈" (pronounced *kah-leng*) means to add zeros. That was how he came to select "Karin" as an English name because it sounded very much like the Cantonese pronunciation for "嘉靈".

The creation of Karin's logo started with the letter "K". Mr. Ng realized that if he took two "K"s, flipped one of them to face left and put them both back to back, they formed the shape of a four-leaf clover which is a lucky symbol in certain cultures. Luck was what he had needed back in the early days and what the Group still needs today. That was how he came to adopt the four-leaf clover as the company's logo.

It has been 41 years since Mr. Ng started the company and as he continues to seek progress and growth for the Karin Group, the rationale and goals behind the logo and name still hold strong meaning for the Group and remain relevant today.

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

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