



嘉靈控股集團有限公司

Karin Technology Holdings Limited

(Incorporated in Bermuda on 30 August 2002)

(Company Registration Number 32514)

**Half Year Financial Statements And Dividend Announcement**  
**for the Six Months Ended 31 December 2015**

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

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

Group half year financial statements for the period ended 31 December 2015. These figures have not been audited.

**Group Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2015**

	Group		
	6 months to 31 Dec 2015 HK\$'000	6 months to 31 Dec 2014 HK\$'000	% increase/ (decrease)
REVENUE	1,262,156	1,545,110	( 18.3)
Cost of sales	<u>(1,175,479)</u>	<u>(1,396,885)</u>	( 15.8)
Gross profit	86,677	148,225	( 41.5)
Other income and gains, net	2,020	2,961	( 31.8)
Selling and distribution costs	( 32,068)	( 40,085)	( 20.0)
Administrative expenses	( 44,576)	( 51,540)	( 13.5)
Other expenses, net	( 5,006)	( 3,691)	35.6
Finance costs	( 1,130)	( 803)	40.7
Share of profit of an associate	<u>365</u>	<u>72</u>	406.9
PROFIT BEFORE TAX	6,282	55,139	( 88.6)
Income tax expense	<u>( 2,566)</u>	<u>( 11,761)</u>	( 78.2)
PROFIT FOR THE PERIOD	<u><u>3,716</u></u>	<u><u>43,378</u></u>	( 91.4)
Profit/(loss) for the period attributable to:			
Owners of the Company	5,628	31,776	( 82.3)
Non-controlling interests	<u>( 1,912)</u>	<u>11,602</u>	NM
	<u><u>3,716</u></u>	<u><u>43,378</u></u>	( 91.4)

**Group Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2015** (continued)

	Group		
	6 months to 31 Dec 2015 HK\$'000	6 months to 31 Dec 2014 HK\$'000	% increase/ (decrease)
PROFIT FOR THE PERIOD	3,716	43,378	( 91.4)
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Exchange differences on translation of foreign operations	( 5,920)	1,053	NM
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>( 2,204)</u>	<u>44,431</u>	NM
Total comprehensive income attributable to:			
Owners of the Company	( 292)	32,829	NM
Non-controlling interests	( 1,912)	11,602	NM
	<u>( 2,204)</u>	<u>44,431</u>	NM

NM: Not Meaningful

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

	Group	
	6 months to 31 Dec 2015 HK\$'000	6 months to 31 Dec 2014 HK\$'000
Depreciation	15,853	18,592
Impairment of trade receivables	2,703	3,171
Write-down of inventories to net realisable value and write-off of obsolete inventories	1,795	318
Fair value loss on derivative financial instruments	408	520
Bank interest income	( 537)	( 461)
Gross rental income	( 1,079)	( 898)
Foreign exchange differences, net	1,702	( 1,117)
Gain on disposal of items of property, plant and equipment	( 127)	( 199)

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

	<b>Group</b>		<b>Company</b>	
	31 December 2015 HK\$'000	30 June 2015 HK\$'000	31 December 2015 HK\$'000	30 June 2015 HK\$'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	394,728	402,634	-	-
Investment properties	22,106	23,433	-	-
Goodwill	2,098	2,098	-	-
Investment in subsidiaries	-	-	76,308	76,308
Investment in an associate	1,162	797	-	-
Deferred tax assets	971	971	-	-
Factored trade receivables	2,919	532	-	-
Prepayments	-	598	-	-
Total non-current assets	<u>423,984</u>	<u>431,063</u>	<u>76,308</u>	<u>76,308</u>
<b>CURRENT ASSETS</b>				
Inventories	242,125	213,013	-	-
Trade and bills receivables	329,632	410,500	-	-
Factored trade receivables	1,019	532	-	-
Prepayments, deposits and other receivables	85,200	53,456	16	-
Amounts due from subsidiaries	-	-	49,271	50,178
Forward currency contracts	400	809	-	-
Cash and cash equivalents	<u>99,104</u>	<u>138,627</u>	<u>1,293</u>	<u>1,305</u>
Total current assets	<u>757,480</u>	<u>816,937</u>	<u>50,580</u>	<u>51,483</u>
<b>CURRENT LIABILITIES</b>				
Trade and bills payables	220,261	230,970	-	-
Other payables and accruals	125,186	130,573	351	3,434
Income tax payable	11,001	18,865	-	-
Interest-bearing bank and other borrowings	<u>122,110</u>	<u>142,396</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>478,558</u>	<u>522,804</u>	<u>351</u>	<u>3,434</u>
NET CURRENT ASSETS	<u>278,922</u>	<u>294,133</u>	<u>50,229</u>	<u>48,049</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	702,906	725,196	126,537	124,357
<b>NON-CURRENT LIABILITIES</b>				
Other borrowings	3,747	1,246	-	-
Deferred tax liabilities	<u>57,958</u>	<u>57,462</u>	<u>-</u>	<u>-</u>
Total non-current liabilities	<u>61,705</u>	<u>58,708</u>	<u>-</u>	<u>-</u>
Net assets	<u>641,201</u>	<u>666,488</u>	<u>126,537</u>	<u>124,357</u>

	<b>Group</b>		<b>Company</b>	
	31 December 2015 HK\$'000	30 June 2015 HK\$'000	31 December 2015 HK\$'000	30 June 2015 HK\$'000
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Issued capital	21,441	21,441	21,441	21,441
Treasury shares	-	( 888)	-	( 888)
Reserves	<u>603,824</u>	<u>623,287</u>	<u>105,096</u>	<u>103,804</u>
	625,265	643,840	126,537	124,357
Non-controlling interests	<u>15,936</u>	<u>22,648</u>	-	-
Total equity	<u><u>641,201</u></u>	<u><u>666,488</u></u>	<u><u>126,537</u></u>	<u><u>124,357</u></u>

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

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

As at 31 December 2015		As at 30 June 2015	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
163	121,947	155	142,241

#### **Amount repayable after one year**

As at 31 December 2015		As at 30 June 2015	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
366	3,381	468	778

#### **Details of any collaterals**

The above unsecured bank and other borrowings of HK\$125,328,000 and HK\$143,019,000 included bank borrowings of HK\$124,048,000 and HK\$140,709,000 which were covered by cross guarantees given by the Company and certain of its subsidiaries as at 31 December 2015 and 30 June 2015 respectively.

The finance lease obligations of HK\$529,000 and HK\$623,000 were secured by the underlying assets acquired as at 31 December 2015 and 30 June 2015 respectively.

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

	Group	
	Six months ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	6,282	55,139
Adjustments for:		
Bank interest income	( 537)	( 461)
Write-down of inventories to net realisable value and write-off of obsolete inventories	1,795	318
Depreciation	15,853	18,592
Fair value loss on derivative financial instruments, net	408	520
Expense recognised in respect of treasury shares awarded	1,014	-
Impairment of trade receivables	2,703	3,171
Gain on disposal of items of property, plant and equipment	( 127)	( 199)
Finance costs	1,130	803
Share of profit of an associate	( 365)	( 72)
	28,156	77,811
Increase in inventories	( 30,908)	( 145,032)
Decrease/(increase) in trade and bills receivables	78,072	( 56,244)
Decrease/(increase) in factored trade receivables	( 2,957)	693
Decrease/(increase) in prepayments, deposits and other receivables	( 31,231)	4,574
Increase/(decrease) in trade and bills payables	( 8,089)	143,050
Increase/(decrease) in other payables and accruals	( 5,125)	76,534
Cash generated from operations	27,918	101,386
Interest on bank and other borrowings paid	( 1,117)	( 776)
Interest element on finance lease rental payments	( 13)	( 27)
Dividends paid to the owners of the Company	( 19,297)	( 16,709)
Dividend paid to a non-controlling shareholder	( 4,800)	-
Income tax paid	( 10,595)	( 11,123)
Net cash flows from/(used in) operating activities	( 7,904)	72,751

	Group	
	Six months ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
Net cash flows from/(used in) operating activities	( 7,904)	72,751
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of items of property, plant and equipment	537	226
Purchases of items of property, plant and equipment	( 2,238)	( 21,610)
Interest received	594	461
Increase in time deposits with maturity of more than three months when acquired	-	( 8,479)
Net cash flows used in investing activities	( 1,107)	( 29,402)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of employee share options	-	815
New bank and other borrowings	566,726	308,784
Repayment of bank and other borrowings	( 539,755)	( 284,037)
Decrease in trust receipt and import loans	( 47,321)	( 46,614)
Capital element of finance lease rental payments	( 87)	( 72)
Net cash flows used in financing activities	( 20,437)	( 21,124)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	( 29,448)	22,225
Cash and cash equivalents at beginning of period	138,627	90,400
Effect of foreign exchange rate changes, net	( 10,075)	( 49)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>99,104</u>	<u>112,576</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances other than time deposits	73,960	111,358
Time deposits	<u>25,144</u>	<u>9,697</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	99,104	121,055
Non-pledged time deposits with original maturity of more than three months when acquired	-	( 8,479)
Cash and cash equivalent as stated in the consolidated statement of cash flows	<u>99,104</u>	<u>112,576</u>

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

Group

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 July 2014	21,356	( 359)	44,387	898	442	223,007	2,752	11,456	274,838	578,777	12,393	591,170
Total comprehensive income for the period	-	-	-	-	-	( 2,840)	-	3,893	31,776	32,829	11,602	44,431
Issue of shares under the Scheme	85	-	1,037	-	( 307)	-	-	-	-	815	-	815
Final 2014 dividend paid	-	-	-	-	-	-	-	-	( 16,709)	( 16,709)	-	( 16,709)
At 31 December 2014	<u>21,441</u>	<u>( 359)</u>	<u>45,424</u>	<u>898</u>	<u>135</u>	<u>220,167</u>	<u>2,752</u>	<u>15,349</u>	<u>289,905</u>	<u>595,712</u>	<u>23,995</u>	<u>619,707</u>

## Group

	Attributable to owners of the Company											
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2015	21,441	( 888)	45,424	898	134	258,720	2,784	12,776	302,551	643,840	22,648	666,488
Total comprehensive income for the period	-	-	-	-	-	-	-	( 5,920)	5,628	( 292)	( 1,912)	( 2,204)
Distribution of treasury shares	-	888	126	-	-	-	-	-	-	1,014	-	1,014
Final 2015 dividend paid	-	-	-	-	-	-	-	-	( 19,297)	( 19,297)	-	( 19,297)
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	( 4,800)	( 4,800)
At 31 December 2015	<u>21,441</u>	<u>-</u>	<u>45,550</u>	<u>898</u>	<u>134</u>	<u>258,720</u>	<u>2,784</u>	<u>6,856</u>	<u>288,882</u>	<u>625,265</u>	<u>15,936</u>	<u>641,201</u>



## Company

	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 July 2014	21,356	( 359)	44,387	36,311	442	21,817	123,954
Total comprehensive income for the period	-	-	-	-	-	15,951	15,951
Issue of shares under the Scheme	85	-	1,037	-	( 308)	-	814
Final 2014 dividend paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 16,709)</u>	<u>( 16,709)</u>
At 31 December 2014	<u>21,441</u>	<u>( 359)</u>	<u>45,424</u>	<u>36,311</u>	<u>134</u>	<u>21,059</u>	<u>124,010</u>
At 1 July 2015	21,441	( 888)	45,424	36,311	134	21,935	124,357
Total comprehensive income for the period	-	-	-	-	-	20,463	20,463
Distribution of treasury shares	-	888	126	-	-	-	1,014
Final 2015 dividend paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 19,297)</u>	<u>( 19,297)</u>
At 31 December 2015	<u>21,441</u>	<u>-</u>	<u>45,550</u>	<u>36,311</u>	<u>134</u>	<u>23,101</u>	<u>126,537</u>

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

During the second half for the year ended 30 June 2015, pursuant to the 2009 Share Buyback mandate, the Company had purchased 306,000 of its own shares (the “Shares”) and holds such Shares as treasury shares. All the 306,000 Shares were market purchases with the highest and lowest purchase price per share paid by the Company of S\$0.330 and S\$0.305 respectively, amounting to an aggregate purchase price of S\$94,000 equivalent to HK\$529,000.

As at 1 July 2015, the Company held 500,000 (1 July 2014: 194,000) treasury shares. During the six months ended 31 December 2015, the Company had not purchased any (31 December 2014: nil) of the Shares pursuant to the 2009 Share Buyback mandate.

During the six months ended 31 December 2015, the Company had not issued any (31 December 2014: 850,000) new shares, upon the exercise of options under the Karin Employees Share Option Scheme.

	6 months to 31 Dec 2015			6 months to 31 Dec 2014		
Exercise price per share	S\$0.1264	S\$0.1608	S\$0.1060	S\$0.1264	S\$0.1608	S\$0.1060
Number of new shares issued	-	-	-	100,000	750,000	-

As at 31 December 2015, the Company’s share capital was HK\$21,441,000 (30 June 2015: HK\$21,441,000) comprising 214,410,000 (30 June 2015: 214,410,000) ordinary shares. The Company did not hold any treasury share as at 31 December 2015 (30 June 2015: 194,000).

The share options outstanding as at 31 December 2015 was 350,000 (30 June 2015: 350,000) which when fully exercised could be convertible into 350,000 (30 June 2015: 350,000) ordinary shares of the Company upon exercise.

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

Total number of issued shares excluding treasury shares as at 31 December 2015 was 214,410,000 (30 June 2015: 213,910,000).

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

During the six months ended 31 December 2015, the Company had distributed 500,000 (31 December 2014: nil) treasury shares held to key executives other than Directors as extra bonus for achieving the Performance Target relating to last financial year ended 30 June 2015 pursuant to the Karin Performance Share Plan.

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

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the six months ended 31 December 2015 as compared with the audited financial statements of the Group for the year ended 30 June 2015.

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

There is no change in the accounting policies adopted by the Group for the six months ended 31 December 2015. For details of accounting policies, please refer to Annual Report 2015.

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

**Group**

	Six months ended 31 December	
	2015	2014
Earnings per ordinary share of the Group, after deducting any provision for preference dividends (in HK cents):		
- Based on weighted average number of ordinary shares on issue (HK cents)	<u>2.63</u>	<u>14.85</u>
- On a fully diluted basis (HK cents)	<u>2.62</u>	<u>14.83</u>
Profit attributable to the owners of the Company for earnings per share (HK\$'000)	<u>5,628</u>	<u>31,776</u>

The calculation of basic earnings per share for the six months ended 31 December 2015 and 2014 is based on the profit attributable to the ordinary shareholders of the Company for the respective periods and the weighted average of 214,347,500 and 214,022,773 shares respectively.

The calculation of diluted earnings per share amounts is based on the profit attributable to ordinary shareholders of the Company for the respective periods and 214,554,251 (2014: 214,217,982) ordinary shares, which was the weighted average of 214,347,500 (2014: 214,022,773) ordinary shares in issue during the six months ended 31 December 2015, and the weighted average of 206,751 (2014: 195,209) ordinary shares deemed to have been issued at no consideration on the deemed exercise of all outstanding share options during the period under review.

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

	<u>Group</u>		<u>Company</u>	
	As at 31 December 2015	As at 30 June 2015	As at 31 December 2015	As at 30 June 2015
Net asset value per ordinary share (HK cents)	299.1	311.6	59.0	58.1

Net asset value per ordinary share as at 31 December 2015 and 30 June 2015 was calculated based on the issued share capital excluding treasury shares of 214,410,000 and 213,910,000 ordinary shares as at 31 December 2015 and 30 June 2015 respectively.

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

### **Profit and Loss**

#### Revenue

Consolidated revenue of the Group for the six months ended 31 December 2015 decreased by HK\$282.9 million or 18.3% to HK\$1,262.2 million from HK\$1,545.1 million for the corresponding period last year.

Revenue from our Components Distribution (“CD”) segment increased by HK\$14.4 million or 3.2%, from HK\$446.0 million for the six months ended 31 December 2014 to HK\$460.4 million for the six months ended 31 December 2015. The increase was mostly due to increase in demand for certain electronic components for smart phones and wireless applications for consumer accessories during the period under review.

Revenue from our Information Technology Infrastructure (“IT Infrastructure”) segment increased by HK\$37.9 million or 9.2%, from HK\$413.8 million for the six months ended 31 December 2014 to HK\$451.7 million for the six months ended 31 December 2015. The increase was mostly due to our track record in the IT Infrastructure industry that enabled us to secured a few significant projects in the midst of weak global economic conditions during the period under review.

Revenue from our Consumer Electronics Products (“CEP”) segment decreased by HK\$335.2 million or 48.9%, from HK\$685.3 million for the six months ended 31 December 2014 to HK\$350.1 million for the six months ended 31 December 2015. The decrease was mainly due to over supply of certain newly released CEP products during the period under review which led to fierce competition in the market.

#### Gross profit

Gross profit decreased by HK\$61.5 million or 41.5%, from HK\$148.2 million for the six months ended 31 December 2014 to HK\$86.7 million for the six months ended 31 December 2015. The decrease in gross profit was mainly due to fierce competition of certain newly released CEP products as explained above.

#### Other income and gains, net

The net other income and gains decreased by approximately HK\$1.0 million or 33.3%, from HK\$3.0 million for the six months ended 31 December 2014 to HK\$2.0 million for the six months ended 31 December 2015. The decrease was mainly due to the devaluation of Renminbi against Hong Kong dollar. The gain of HK\$1.1 million on foreign exchange difference during the same period last year turned into HK\$1.7 million loss on foreign exchange difference, which was recorded under Other expenses, net, during the current period.

#### Selling and distribution costs

Selling and distribution costs decreased by approximately HK\$8.0 million or 20.0% from HK\$40.1 million for the six months ended 31 December 2014 to HK\$32.1 million for the six months ended 31 December 2015. The decrease was mainly attributed to decrease in staff bonus of HK\$6.0 million due to the decrease in profit.

#### Administrative expenses

Administrative expenses decreased by approximately HK\$6.9 million or 13.4%, from HK\$51.5 million for the six months ended 31 December 2014 to HK\$44.6 million for the six months ended 31 December 2015. The decrease was mainly due to (1) decrease in depreciation charge of HK\$2.7 million which was in turn due to the decrease in depreciation of property values for leasehold land and buildings in the PRC as a result of devaluation of Renminbi; and (2) decrease in bonus expenses of HK\$5.4 million due to decrease in profit.

#### Other expenses, net

Net other expenses increased by approximately HK\$1.3 million or 35.1%, from HK\$3.7 million for the six months ended 31 December 2014 to HK\$5.0 million for the six months ended 31 December 2015. The increase was mainly due to loss on foreign exchange difference of HK\$1.7 million as explained above.

#### Finance costs

Finance costs increased by approximately HK\$0.3 million or 40.7%, from HK\$0.8 million for the six months ended 31 December 2014 to HK\$1.1 million for the six months ended 31 December 2015. The increase was mainly due to prompt payment discount provided to a customer in the PRC for early settlement of debts in order to minimise credit risk.

## Income tax expense

Relatively high income tax expense rate at 40.8% (31 December 2014: 21.3%) during the period under review was mostly due to (1) loss on certain subsidiaries reduced consolidated profit before tax but did not reduce consolidated income tax expense; and (2) opening inventories in Renminbi in PRC subsidiaries were translated into Hong Kong dollar at historical exchange rate on 30 June 2015 which was before the depreciation of Renminbi against Hong Kong dollar. The high opening exchange rate reduced consolidated profit before tax but did not reduce consolidated income tax expense which was based on monthly average exchange rate.

## Net Profit

Net profit attributable to owners of the Company decreased by HK\$26.2 million or 82.4%, from HK\$31.8 million for the six months ended 31 December 2014 to HK\$5.6 million for the six months ended 31 December 2015. The decrease was mainly attributable to decrease in gross profit as explained above.

## 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 totaling HK\$416.8 million; deferred tax assets of HK\$1.0 million; investment in an associate of HK\$1.2 million and factored trade receivables of HK\$2.9 million. At 31 December 2015, non-current assets amounted to HK\$424.0 million, representing approximately 35.9% of the total assets. There was a decrease in non-current assets amounted to approximately HK\$7.1 million which is mainly due to (1) devaluation of Renminbi against Hong Kong dollar; and (2) depreciation of property, plant and equipment during the period under review.

### Current assets

As at 31 December 2015, current assets amounted to approximately HK\$757.5 million, a decrease of HK\$59.5 million compared to the immediately preceding financial year end as at 30 June 2015. The decrease was mainly due to (1) decrease in trade and bills receivables by HK\$80.9 million; (2) decrease in cash and cash equivalents by HK\$39.5 million; (3) increase in inventories by HK\$29.1 million, which most of the increases were subsequently sold after the period end date; and (4) increase in prepayments, deposit and other receivables by HK\$31.7 million for a project working together with a vendor.

### Current liabilities

As at 31 December 2015, current liabilities amounted to approximately HK\$478.6 million, a decrease of HK\$44.2 million compared to the immediately preceding financial year end as at 30 June 2015. The decrease was mainly due to (1) decrease in trust receipt and import bank loans by HK\$20.3 million; (2) decrease in trade payables by HK\$10.7 million; (3) decrease in other payables and accruals by HK\$5.4 million; and (4) decrease in taxation payable by HK\$7.9 million.

## Non-current liabilities

Non-current liabilities amounted to HK\$61.7 million, representing 11.4% of our total liabilities as at 31 December 2015. The amount mostly comprised of deferred tax liabilities. Deferred tax liabilities are recognised as a result of temporary differences between the carrying amounts and tax bases of our land and buildings and investment properties.

## Liquidity and cash flow

As at 31 December 2015, cash and cash equivalents amounted to approximately HK\$99.1 million. Total interest bearing loans and borrowings as at 31 December 2015 were HK\$125.9 million and the gearing ratio, which is defined as total borrowings and finance leases payables to shareholders' funds, is 0.20 times (30 June 2015: 0.22 times).

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

Not applicable.

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

Global sales of smart phones and wireless application devices has been strong during the period under review and is expected to continue to be strong. As such demand for electronic components for smart phones and wireless application devices is expected to be maintained. Management is, however, exploring more opportunities to market other electronic component modules which is expected to have higher margins.

While the market sentiment on IT Infrastructure spending is still bearish, we are confident, based on our reputation, to further improve the performance of this segment in the next reporting period. Moreover, the Group has always been working hard to secure more distributorship rights to increase the breadth of our products.

With regard to the CEP segment, the management is studying alternatives to improve its revenue and profit.

Moreover, unstable Renminbi exchange rate against Hong Kong dollar will have direct impact on the Group's bottom line.



## 11. Dividend

### (a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

Yes. Tax not applicable interim dividend of HK5.0 cents per share amounting to a total of HK\$10,720,500 have been proposed and declared by the Directors.

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

### (b) Corresponding Period of the Immediately Preceding Financial Year

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

Yes.

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

### (c) Date payable

17 March 2016

### (d) Books closure date

The Register of Members and Share Transfer Books of the Company will be closed on 8 March 2016, for the purpose of determining Members' entitlements to interim dividend of HK5.0 cents for the financial year ending 30 June 2016. Duly completed registrable transfers in respect of the shares in the Company received up to the close of business at 5:00 p.m. on 7 March 2016 by the Company's Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), 80 Robinson Road, #02-00 Singapore 068898 will be registered to determine Members' entitlements to such dividends. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5:00 p.m. on 7 March 2016 will be entitled to such dividend.

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

Not applicable.

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

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

**14. Negative Assurance Confirmation On Interim Financial Results Pursuant To Rule 705(5) Of The Listing Manual**

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the financial results of the six months ended 31 December 2015 to be false or misleading in any material respect. A statement signed by two directors is on record.

We, Ng Kin Wing and Ng Yuk Wing, being two directors of the Company, do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial results of the six months ended 31 December 2015 to be false or misleading in any material respect.

On behalf of the board of directors

Ng Kin Wing  
Executive Chairman/CEO

Ng Yuk Wing  
Senior Executive Director

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

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

**BY ORDER OF THE BOARD**

Ng Kin Wing  
Executive Chairman/CEO

3 February 2016