



**Karin Technology
Holdings Limited**



Building Businesses Beyond Boundaries

ANNUAL REPORT 2023



CORPORATE PROFILE

Listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”) since March 2005, our Group is a prominent IT & Components Solutions and Services Group with a significant market presence spanning over 46 years in Hong Kong and the People’s Republic of China (“PRC”).

From the time when it was established in 1977, the Group’s 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 a growing presence in

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

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.

Karin has become a major distributor and IT solutions provider in Hong Kong providing end-to-end solution in Information Technologies, Network & CyberSecurity, and Data and Applications services.

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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 between China and the rest of the world while Singapore is the central business hub for ASEAN countries and the region.

MISSION

Provide competitive products and solutions through our core competence of product development, technical skill-set and field-application after-sales service. To be the leading value-added service provider in electronic, retail, IT and infrastructure industries in China, Hong Kong, Macau, Singapore, ASEAN countries today and tomorrow.

Chairman's Statement



Ng Kin Wing, Raymond
Executive Chairman and Executive Director
Karin Technology Holdings Limited

In FY2023, Karin faced significant challenges stemming from geopolitical and economic forces, including trade wars, stagflation, rising interest rates, largely exacerbated by the ongoing impact of Covid-19. Despite these challenges, Karin identified new business opportunities arising from advancements in information technology, including Cloud, Data, Networking, IoT, Smart office, and New Energy. These technologies have not only opened doors for growth but also reshaped traditional business models. Consequently, Karin has intensified its focus and investments in these new opportunities to adapt to a rapidly changing industry and business landscape while fostering long-term cooperative relationships with our valued customers and business partners.

Karin has earned a strong reputation for its unwavering commitment to ESG (Environmental, Social, and Governance) principles and has established networks within the Hong Kong Electronics and IT sectors. The company remains steadfast in its core business of component distribution and IT hardware solutions, leveraging its decades of experience and relationships as the foundation for future growth. Karin envisions itself as a platform for organic business growth, investments, and acquisitions within the electronics distribution sector, capitalizing on our experienced sales engineers and networks. Looking ahead to FY2024, Karin anticipates even more opportunities in IT infrastructure and electronics distribution.

Since our establishment in Hong Kong in 1977, Karin has weathered 46 years of challenges, accumulating invaluable business insights, industry expertise, assets and financial management experience. We have also nurtured strong and enduring relationships with strategic partners, vendors, and customers. With a dedicated management team and workforce that includes field-application and technical service engineers, we continue to drive innovation in design and service.

I firmly believe that our future success hinges on the combined efforts of our next-generation engineers and our experienced management. Together, we are poised to emerge even stronger, delivering increasing value to our partners and shareholders as we build with strategic purpose and engineering excellence, leveraging our decades-strong foundation. Together, we pace for tomorrow!

Ng Kin Wing, Raymond
Executive Chairman and Executive Director
Karin Technology Holdings Limited

CEO's Message and Operation Review



Ng Mun Kit, Michael
Chief Executive Officer & Executive Director
Karin Technology Holdings Limited

Dear
Shareholders,

Despite the challenging FY2023 we had, the tenacity of Karin's businesses was once again proven as we remained profitable for yet another year – a track record that has not been broken in the 46 years since the inception of our Group.

Although we were not immune to the high-cost, high interest rate post-COVID 19 environment, our Group took steps to curb expenditure to cushion our operations from the impact of inflation on labour, logistics, and financial costs. Our experience from over four decades of managing economic cyclicalities held us in good stead as our management team and seasoned employees worked hard to chase down every business lead such that we were able to launch new initiatives and even achieve regional expansion of our operations despite the difficult backdrop.

We attribute this to our ongoing investments in cutting edge technologies and industries, which has enabled us to reap the opportunities that come with rising trends.

Our IT Infrastructure segment is in a strong position thanks to the continued growth in sales and profitability. In the current financial year ending 30 June 2024 ("**FY2024**"), we expect to welcome further upgrades to our solution centre and theatres at our Hong Kong headquarters to incorporate the most up-to-date IT infrastructure, audio visual fit outs, and support for AI and machine learning solutions.

We believe that in the short term, our IT Infrastructure segment will continue to out-perform our Consumer Electronics and Components Distribution segments, which will continue to reflect China's slower than expected post-pandemic economic recovery. But we expect improvements across all three segments in the mid to long term with the anticipated easing of inflationary pressures and the stabilisation of interest rates, which will bring about the return of positive business sentiments in the Chinese market.

FY2023 PERFORMANCE REVIEW

In FY2023, Karin's revenue increased 2.4% to HK\$2,039.6 million, primarily as a result of the Information Technology ("**IT**") segment's strong performance. This segment's revenue rose 16.0% year-over-year ("**YOY**") to HK\$1,349.8 million, due to the solid track record and expertise we have developed over the years.

Our Consumer Electronic Products ("**CEP**") segment was weaker in performance due to slower demand in the Hong Kong market during the year under review. Sales fell 5.0% YOY to HK\$243.3 million in FY2023. This was partly because of a surge in overseas travel when borders were fully opened in January 2023. It enabled consumers to make their purchases abroad to take advantage of more favourable exchange rates.

Lastly, our Components Distribution ("**CD**") segment continued to struggle despite the lifting of all pandemic restrictions in China as the highly anticipated rebound in business activities fell short of expectations. As a result, revenue contribution from our CD segment decreased by 22.0% YOY to HK\$446.5 million.

PROSPECTS

The technology landscape is continuing to enable digitization and COVID-19 had also accelerated advancements in many areas. We are thankful for a dedicated management team and a talented pool of IT professionals in each segment who ensure our operations and capabilities align with the ever-changing needs of our customers.

With the expansion of our IT segment to include new solutions in cloud computing, IT infrastructure, professional consultation, and services, our close proximity to the PRC has enabled us to leverage the growing prominence of information technology solutions from the PRC on the international stage. Continuing in the medium and long term, we anticipate that the growth of this segment will be driven by the high demand for IT infrastructure, applications and data platforms, and cybersecurity solutions and we are well-positioned to capture the growth.

Our CD segment faces challenges due to high inventory problems and an overall decline in end consumer products. The supply chain disruption of the pandemic period has turned into one of inventory management for this segment. To address this, we have reviewed our strategies to find new markets and applications that are aligned with the global trend towards energy-efficiency and green power solutions. By expanding into smart buildings and energy solutions, we believe Karin can tap into these new growth areas.

We expect our CEP segment to remain challenging due to ongoing weakness in consumer demand. To look for new growth and opportunities, we will continue to expand our product range and add new premier brands to our portfolio.

While there will always be uncertainties and changes in the macro environment, the one thing that never changes is our commitment to enable business transformation by helping our customers to adapt and embrace the latest technological advancements. With several new product releases and new distributorships secured, the Group remains cautiously optimistic about FY2024.

APPRECIATION

In closing, I would like to thank all our shareholders for their continued support as well as our staff, who have been working incredibly hard to drive Group sales. I also want to thank our suppliers, customers, and business partners for cooperating with us to find win-win solutions.

In my capacity as the CEO of the Karin Group, I would like to reassure our employees and shareholders that I will make every effort to build on the solid foundation laid by our Group's Founders, our Executive Chairman and Executive Director, Mr. Ng Kin Wing Raymond, and our Emeritus Chairman and Executive Director, Mr. Ng Yuk Wing Philip, to move Karin into the next phase of growth.

Additionally, I would like to thank my fellow board members for their counsel and direction throughout FY2023. With everyone's support, I believe Karin will have many more good years to come.

Ng Mun Kit, Michael

Chief Executive Officer & Executive Director
Karin Technology Holdings Limited

Financial Review

PROFIT AND LOSS

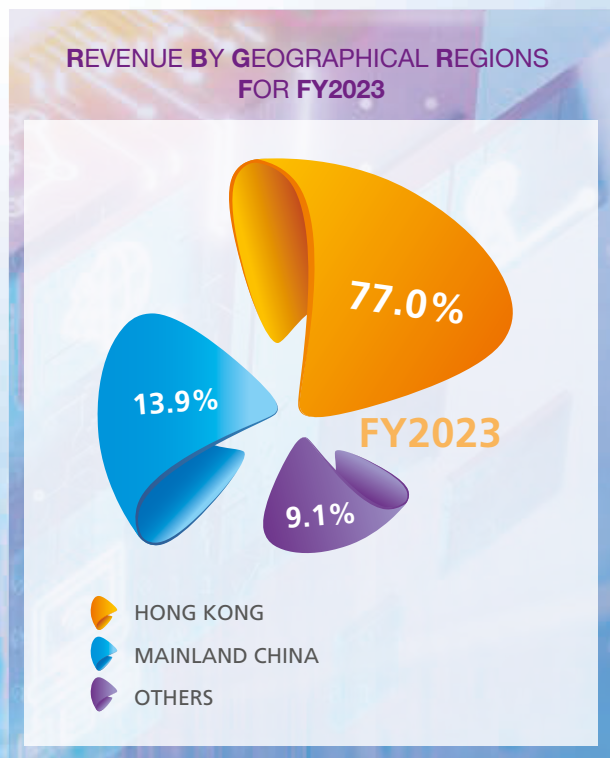
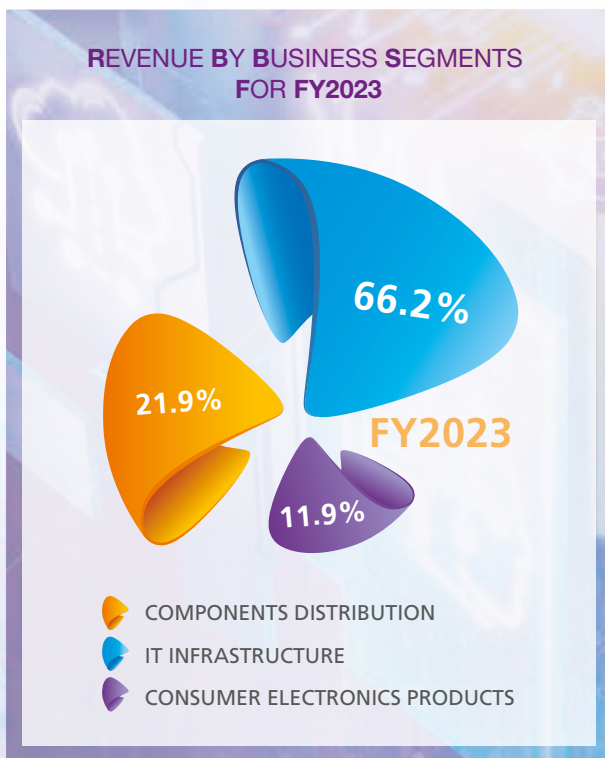
REVENUE

Consolidated revenue of the Group increased by approximately HK\$47.0 million or 2.4% to HK\$2,039.6 million for the year ended 30 June 2023 (“FY2023”) from HK\$1,992.6 million for the year ended 30 June 2022 (“FY2022”).

Revenue from our Components Distribution (“CD”) segment decreased by HK\$126.2 million or 22.0% to HK\$446.5 million for the year under review from HK\$572.7 million for the year ended 30 June 2022. The decrease was mainly due to China’s slower-than-expected post-pandemic recovery following the lifting of its strict zero-COVID stance in January 2023.

Revenue from our Information Technology Infrastructure (“IT Infrastructure”) segment increased by HK\$186.1 million or 16.0% to HK\$1,349.8 million for the current year from HK\$1,163.7 million for the year ended 30 June 2022. The increase was mainly due to (1) strong demand for network security products, cloud solution services and data visualization tools in Hong Kong; (2) as a result of accredited work done in past years that this segment was able to go wider and deeper in the market; and (3) the commencement of several projects tendered and awarded during the period under review.

Revenue from our Consumer Electronics Products (“CEP”) segment decreased by HK\$12.8 million or 5.0% to HK\$243.3 million for the current year from HK\$256.1 million for the year ended 30 June 2022. The decrease was mostly due to slowed down spending on CEP in the Hong Kong market during the year under review as a result of pent-up demand for foreign travel after the release of all COVID-19 travel restrictions.



Financial Review

GROSS PROFIT

Gross profit decreased by HK\$4.0 million or 2.3% to HK\$172.6 million for the year ended 30 June 2023 from HK\$176.6 million for the year ended 30 June 2022. The decrease in gross profit was due mainly to an increase in direct staff costs during the year.

OTHER INCOME AND GAINS, NET

Other income and gains, net increased by HK\$28.2 million or 151.6% to HK\$46.8 million for the year ended 30 June 2023 from HK\$18.6 million for the year ended 30 June 2022. The increase was mainly due to HK\$38.8 million in gain on disposal of properties held for own use and investment in the PRC and Singapore during the year under review.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs increased by HK\$7.1 million or 10.3% to HK\$75.9 million for the year ended 30 June 2023 from HK\$68.8 million for the year ended 30 June 2022. The increase was mainly due to increase in sales staff remuneration of HK\$6.1 million.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by HK\$1.3 million or 1.7% to HK\$78.1 million for the year ended 30 June 2023 from HK\$76.8 million for the year ended 30 June 2022. The increase was mainly due to increase in depreciation of right-of-use assets of HK\$1.1 million as leasing of the present office premises commenced in November 2021.



OTHER EXPENSES, NET

Other expenses, net decreased by HK\$7.0 million or 83.3% to HK\$1.4 million for the year ended 30 June 2023 from HK\$8.4 million for the year ended 30 June 2022. The decrease was mainly due to the HK\$5.7 million impairment of trade receivables last year whilst the current year was a reversal of impairment of trade receivables of HK\$2.4 million which was recorded under Other income.

FINANCE COSTS

Finance costs increased by HK\$7.2 million or 225.0% to HK\$10.4 million for the year ended 30 June 2023 from HK\$3.2 million for the year ended 30 June 2022. The increase was mainly due to (1) a substantial increase in bank borrowings interest rate from last year coupled with (2) an increase in bank borrowings during most parts of the year to support the increase in businesses.

INCOME TAX EXPENSES

The decrease was mainly due to the decrease in deferred tax liabilities being recognised in relation to undistributed earnings in the PRC subsidiaries.

NET PROFIT

Net profit attributable to owners of the Company increased by HK\$26.6 million or 130.4% to HK\$47.0 million for the year ended 30 June 2023 from HK\$20.4 million for the year ended 30 June 2022. The increase was mostly attributable to HK\$38.8 million in gain on disposal of properties held for own use and investment in the PRC and Singapore during the year under review.

NON-CONTROLLING INTERESTS

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



STATEMENT OF FINANCIAL POSITION

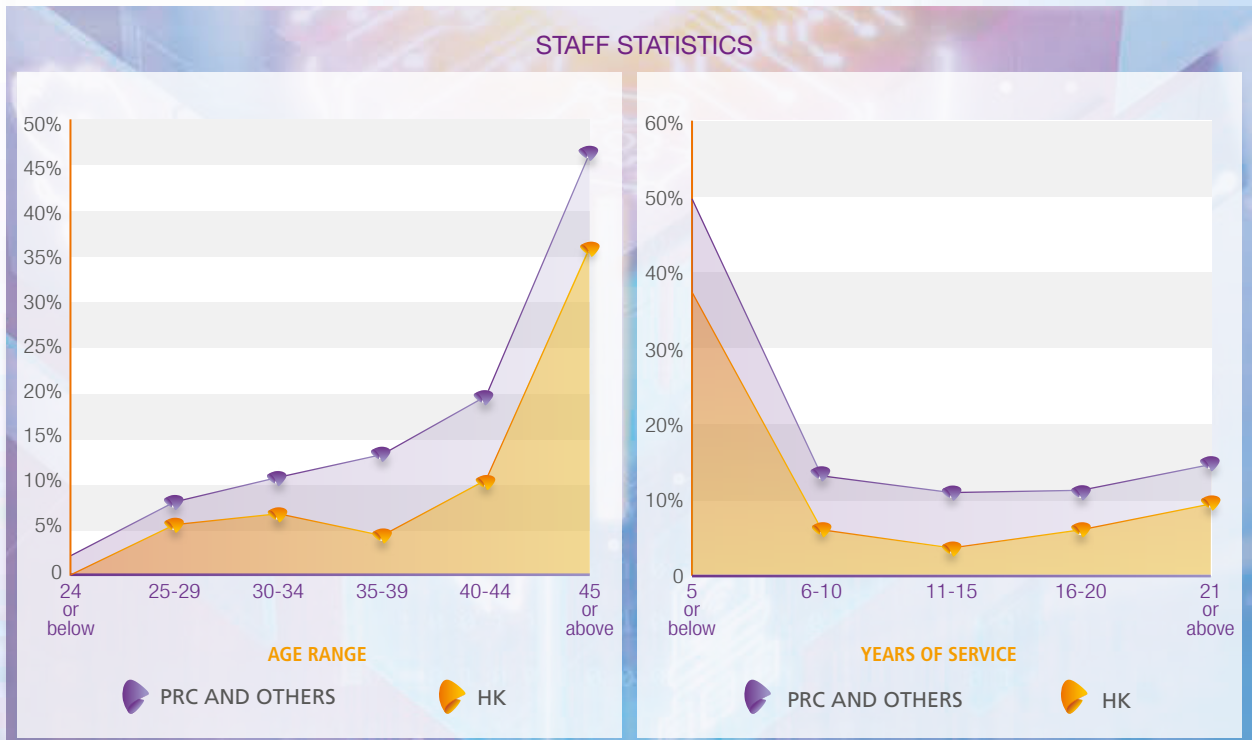
NON-CURRENT ASSETS

At 30 June 2023, non-current assets amounted to HK\$84.4 million, representing approximately 7.7% of the total assets. Non-current assets decreased by HK\$38.5 million or 31.3% to HK\$84.4 million as at 30 June 2023 from HK\$122.9 million as at 30 June 2022. The decrease was mostly due to the disposal of properties in Singapore and Shenzhen.

CURRENT ASSETS

As at 30 June 2023, current assets amounted to HK\$1,007.9 million, a decrease of HK\$86.4 million compared to the preceding financial year end as at 30 June 2022. The decrease was mainly due to (1) decrease in trade and bills receivables of HK\$39.1 million; (2) decrease in cash and cash equivalents of HK\$35.2 million; (3) decrease in prepayment and other receivables of HK\$6.6 million; and (4) decrease in contract assets of HK\$4.6 million.

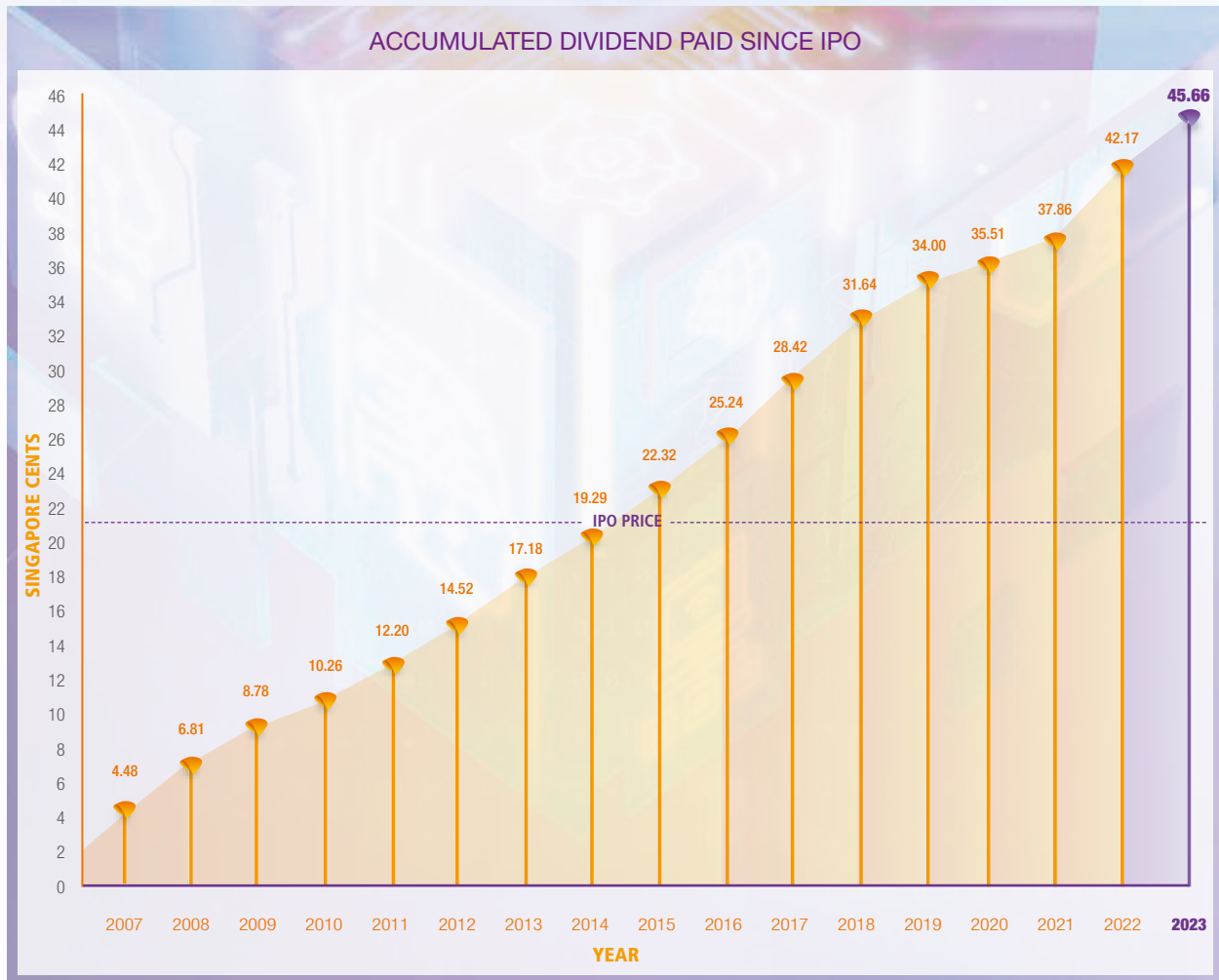
STAFF STATISTICS



Financial Review

CURRENT LIABILITIES

As at 30 June 2023, current liabilities amounted to approximately HK\$624.4 million, a decrease of HK\$131.2 million compared to the preceding financial year end as at 30 June 2022. The decrease was mainly due to (1) decrease in interest-bearing bank and other borrowings by HK\$98.2 million; and (2) decrease in contract liabilities by HK\$53.5 million.

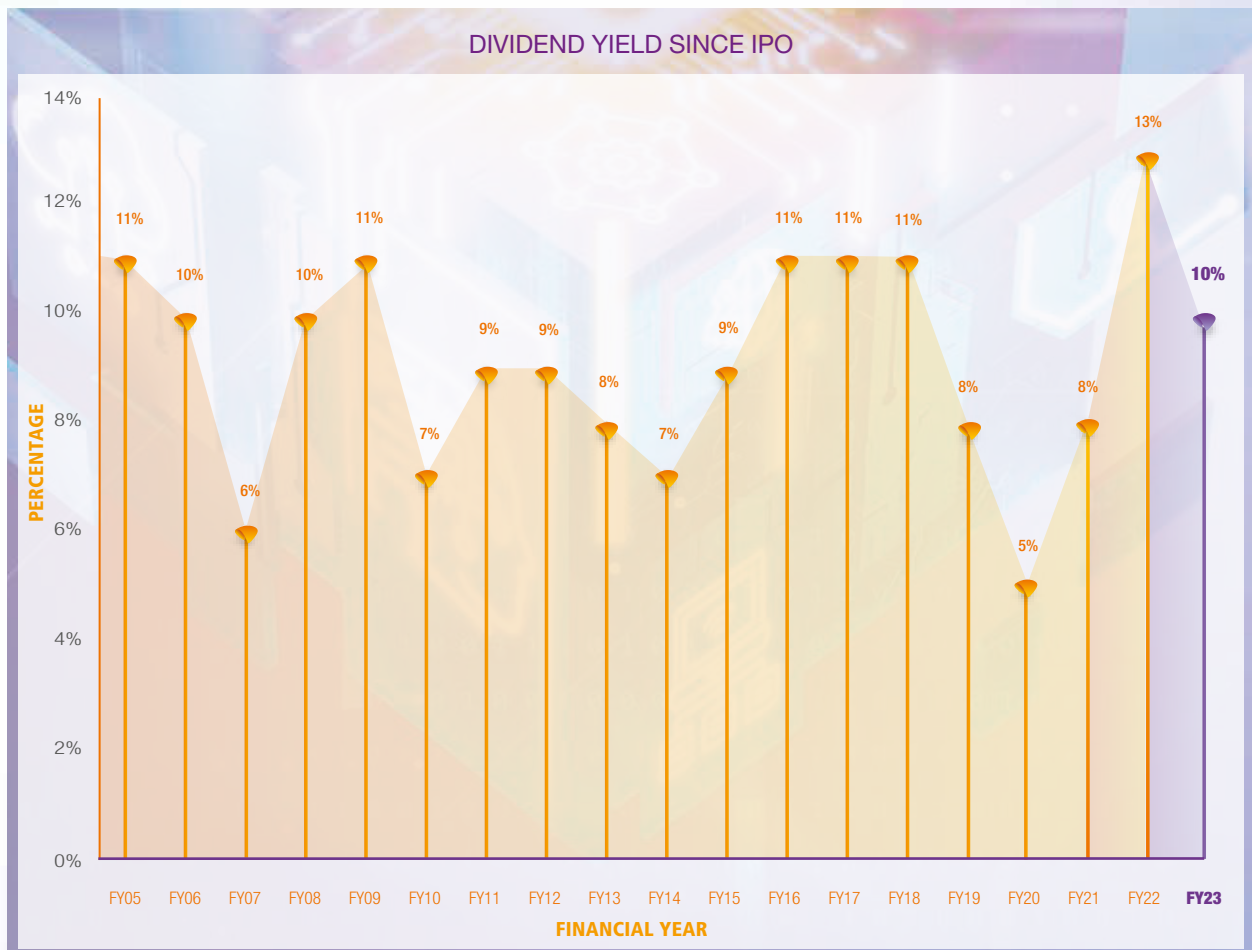


NON-CURRENT LIABILITIES

Non-current liabilities amounted to HK\$41.2 million, representing 6.2% of the total liabilities as at 30 June 2023. The amount comprised of deferred tax liabilities, long term contract liabilities and long-term lease liabilities. Deferred tax liabilities were recognised as a result of temporary differences between the carrying amounts and tax bases of property, plant and equipment due to depreciation and withholding tax on retained profits on PRC subsidiaries.

LIQUIDITY AND CASH FLOWS

As at 30 June 2023, cash and cash equivalents amounted to HK\$90.1 million. Total interest-bearing loans and borrowings as at 30 June 2023 were HK\$146.4 million (30 June 2022: HK\$244.6 million). The gearing ratio (total interest-bearing borrowings to total equity) is 0.34 times (2022: 0.58 times).



Board of Directors



Mr. Ng Kin Wing, Raymond
Executive Chairman

Mr. Ng Kin Wing, Raymond, is the Executive Chairman and 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. He stepped down from the Chief Executive Officer post on 1 July 2021 and remain the Executive Chairman of the Group. Mr. Raymond Ng is one of the founders of our Group and is responsible for overseeing the Group's entire operations and general management. He has over 40 years of experience in the components distribution and computer business. Mr. Raymond Ng is a full member of the Hong Kong Management Association, a fellow member of the Hong Kong Institute of Marketing, a member of the Society of Automotive Engineers International (MSAE), a Chartered Engineer (C Eng), a member of the Institution of Mechanical Engineers (MIMechE) and a member of the Institute of Electrical and Electronics Engineers (MIEEE). Mr. Raymond 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 Macau (Former University of East Asia of Macau) in 1990. In 2004 he obtained a Master of Business Administration (MBA) degree from the Macquarie University of Sydney, Australia. In addition, he was awarded the degrees of Master of Arts in Applied Translation (MAAT) from Hong Kong Metropolitan University (Former The Open University of Hong Kong) in 2008 and Master of Science (MSc) in Energy and Environment from City University of Hong Kong in 2015. He is the younger brother of Mr. Philip Ng, and uncle of Mr. Michael Ng.



Mr. Ng Mun Kit, Michael
Chief Executive Officer

Mr. Ng Mun Kit, Michael, is the Chief Executive Officer and Executive Director of our Group. He joined our Group in 2014 and was appointed to our Board on 1 July 2018. He took on dual roles as Executive Director and Chief Executive Officer on 1 July 2021. He is responsible for overseeing the entire operations and general management of the Group. Having directed the moving to the new headquarters office in Hong Kong for the Group in 2022, he also oversaw later the geographic expansion of the IT businesses in Macau and Australia. 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. Michael 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. Michael Ng worked at Thomson Reuters as senior learning consultant for the group in Asia. Mr. Michael Ng has concentrated on all of the Group's segment businesses and operations since joining Karin in 2014, and overseeing a number of Group segment expansions. He is the son of Mr. Philip Ng and nephew of Mr. Raymond Ng.



Mr. Ng Yuk Wing, Philip
Chairman Emeritus

Mr. Ng Yuk Wing, Philip, was appointed as Executive Director of the Group on 1 April 2021 and designated as Chairman Emeritus effective 1 July 2021. Prior to this, Mr. Philip Ng was Senior Executive Director from 9 October 2014 to 1 July 2018 and designated as Executive Advisor on 1 July 2018 after his cessation as Senior Executive Director. Mr. Philip Ng contributes to the Group on significant matters relating to Group strategy including overall strategic planning and business development. Mr. Philip Ng is one of the founders of our Group, having established Karin Electronic Supplies Co. Ltd. in 1977. Mr. Philip 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 father of Mr. Michael Ng.

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 (In Liquidation) and the Company Secretary for Marco Polo Marine Ltd; both companies are listed on the Stock Exchange of Singapore (SGX).

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 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.

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. Kuan Cheng Tuck
Independent Director

Mr. Kuan Cheng Tuck has more than 20 years of experience in the fields of accounting, auditing as well as business and financial advisory. Mr. Kuan had worked with various international accounting firms in Singapore and Malaysia for some ten years prior to managing his own business consulting firm. Mr. Kuan has also served as independent director of various companies listed on the SGX-ST.

Mr. Kuan holds a Bachelor of Accountancy degree from the Nanyang Technological University of Singapore, a Bachelor of Laws (Honours) degree from the University of London and a Master of Laws (Corporate and Financial Services Law) degree from the National University of Singapore. He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom, and a member of the Institute of Singapore Chartered Accountants. He was also admitted to the Singapore Bar.

Mr. Kuan was appointed an Independent Director of the Company on 23 October 2020 and has been the Lead Independent Director since 27 October 2022.

Senior Management

Mr. Lee Yiu Chung, Eugene
Chief Operating Officer

Mr. Lee Yiu Chung, Eugene, is the Chief Operating Officer of our Group during the year under review. He joined our Group in July 1988 and was appointed to our Board on 26 January 2003. Mr. Lee resigned as Executive Director with effect from 1 July 2020 but remained as Chief Operating Officer. Mr. Lee has over 30 years of experience in marketing and sales management and is responsible for overseeing 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.

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

Mr. Cheng Pak Cheong, Ray, joined our Group in July 1988. He 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. Chong Shi Fan, Stephen
General Manager of Industrial Materials & Instrumentation Division

Mr. Chong Shi Fan, Stephen, joined our Group in March 1991. He 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 30 years of experience in Sales & Marketing of Electrical and Mechanical parts.

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

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

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

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

Mr. Leung is also the General Manager of IT Infrastructure Division of the Group. He is responsible for new business development and the overall operations of the Group's Information Technology business. 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.

Ms. Ng Shuk Yi, Louisa

Financial and Accounting Manager

Ms. Ng Shuk Yi, Louisa, joined our Group in March 1980 and 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.

Mr. Wong Chi Cheung, Clarence

Financial Controller and Joint Company Secretary

Mr. Wong Chi Cheung, Clarence, joined our Group in May 2007 and 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 has over 20 years of experience in auditing, accounting, and financial management as well as secretarial affairs. Prior to joining our Group, he 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.
KARIN SOLUTIONS AND SERVICES
LTD. (was formerly known as MEET
SOLUTIONS LTD.)
KCF A STORE LTD.
KAGILE SOLUTIONS LIMITED



SGP

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



AUS

Kepro Australia Pty. 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.

MACAU



KARIN (MACAU) COMPANY LIMITED
KEPRO (MACAU) COMPANY LIMITED

Notable Events in FY2023

FEB / 2023

Dell Technologies Partner Kickoff



MAY / 2023

Karin X Huawei Business Partner Gathering



JUL / 2023

SHURE New Product Launch



SEP / 2023

Lenovo Distributorship Announcement Event





JUL / 2023

Compucon X Crestron Bus Advertisement



JUL / 2023

IBM HK Technology Forum



FOR MORE INFORMATION, PLEASE SCAN THESE QR CODE.



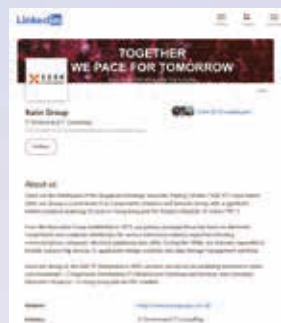
Compucon Facebook



Karin IT Group Facebook



Karin LinkedIn



Milestones

- 2023**
- Established business relationship with Alauda
 - Established business relationship with Cohesity
 - Established business relationship with Crestron
 - Established business relationship with Dyson Zone
 - Established business relationship with Infodeck
 - Established business relationship with KingBase
 - Established business relationship with Lenovo
 - Established business relationship with Ruijie
 - Established business relationship with SHURE
 - Established business relationship with TongTech
-
- 2022**
- Karin Group New Head Office Relocation
 - Established business relationship with JiHu GitLab
 - Established business relationship with Legrand AV
 - Established business relationship with Openhive
 - Established business relationship with QI-ANXIN
 - Established business relationship with xFusion
 - Established business relationship with ZStack
-
- 2021**
- Established business relationship with Soul
 - Established business relationship with Infoblox
 - Opening of branch office in Macau
-
- 2020**
- Established Kagile Solutions Limited
 - Established business relationship with Menlo Security.
 - Established business relationship with Cato Networks.
 - Established business relationship with Avaya.
 - Established business relationship with Rancher Labs.
 - Established business relationship with Acunetix.
 - Established business relationship with Gytpol.
 - Established business relationship with Elsys.
-
- 2019**
- Established business relationship with Cloudmed.
 - Established business relationship with Film Players.
 - Established business relationship with NSFOCUS.
 - Established business relationship with Sangfor.
 - Established business relationship with SoftChef.
 - Established business relationship with Talend.
-
- 2018**
- Established business relationship with Algosec.
 - Established business relationship with Alibaba Cloud.
 - Established business relationship with Skyhigh Networks.
 - Established business relationship with Ruckus.

- 2017** Established business relationship with SNA Company Limited.
Established business relationship with Logitech Asia Pacific Limited.
-
- 2016** Established business relationship with Jabra.
Acquisition of own use property in Singapore.
Established business relationship with Rapid7.
Established business relationship with Air Button smart device.
-
- 2015** Established business relationship with Huawei International Co. Ltd.
Established business relationship with Samsung printers.
Established business relationship with TYLT.
-
- 2014** Established business relationship with CA (Hong Kong) Ltd.
Acquisition of own use property in Beijing.
Established business relationship with Pericom Semiconductor (HK) Ltd.
Established business relationship with Procera Networks, Inc.
-
- 2013** Established business relationship with Beats Electronics International Ltd.
In-Smart – 3rd Sham Shui Po Store was set up.
-
- 2012** In-Smart – 2nd Sham Shui Po Store was set up.
Established business relationship with Fuji Xerox Printers Hong Kong.
Karin Electronic Trading (Shenzhen) Co. Ltd. – Chongqing liaison point was set up.
Karin Electronic Trading (Shenzhen) Co. Ltd. – Changsha liaison point was set up.
Karin International Trading (Shanghai) Co. Ltd. – Xian liaison point was set up.
In-Smart – Tsim Sha Tsui Store was set up.
Acquired the one remaining floor of Karin Building.
Established business relationship with Commvault systems (Hong Kong) Ltd.
-
- 2011** In-Smart – Sham Shui Po Store was set up.
In-Smart – Causeway Bay Store was set up.
In-Smart – Prince Edward Store was set up.
Subsidiary KCF A Store Ltd. (trading as In-Smart) was formed.
Associate Company Shanghai Cosel International Trading Co. Ltd. was formed.
Established business relationship with SAP Hong Kong Company Limited.
Established business relationship with Arista Networks Limited.
Established business relationship with Motorola Technology SDN BHD.
Subsidiary Company Matrix Power Technology (Shenzhen) Co. Ltd. was formed.
Acquisition of own use property in Shanghai.
Karltec Information System (Shenzhen) Co. Ltd. – Guangzhou Representative Office was set up.
-
- 2010** Established business relationship with Imation Hong Kong Limited.
Established business relationship with Tectia Limited.
Established business relationship with McAfee Ireland Limited.
Established business relationship with UFIDA (Hong Kong) Co. Ltd.
Established business relationship with TippingPoint Technologies, Inc.
Established business relationship with Blue Coat Systems International SARL.
-
- 2009** Accredited ISO9001:2008 certificate.
Established business relationship with Brocade Communications Systems, Inc.
Established business relationship with Check Point Software Technologies Limited.
Established business relationship with F5 Networks Hong Kong Limited.
Subsidiary company Karga Solutions was formed.
Acquisition of own use property in Shenzhen.
-

Milestones

- 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.
- 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)
Ng Mun Kit, Michael (Chief Executive Officer)
Ng Yuk Wing, Philip (Chairman Emeritus)
Lawrence Kwan (Independent Director)
Lim Yew Kong, John (Independent Director)
Kuan Cheng Tuck (Lead 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

9th Floor, The Whitney
183 Wai Yip Street
Kwun Tong
Kowloon
Hong Kong

BERMUDA SHARE REGISTRAR AND SHARE TRANSFER AGENT

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

LEGAL ADVISORS

Morgan Lewis Stamford LLC
Grandall Zimmern Law Firm

REGISTRAR FOR THE SINGAPORE SHARE TRANSFER AGENT

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #11-02
Singapore 068898

AUDITOR

Ernst & Young LLP
Certified Public Accountants
One Raffles Quay North Tower, Level 18
Singapore 048583
(Partner-in-charge: Lim Tze Yuen
Appointment date: since financial year ended
30 June 2023)

INVESTOR RELATIONS

August Consulting Pte. Ltd.
101 Thomson Road #29-05
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 2023 ("**FY2023**"), the Group has adhered to the principles and provisions as set out in the Code of Corporate Governance 2018 (the "**2018 Code**"), except where otherwise stated, the Company will explain how its practices are consistent with the intent of the relevant principles of the 2018 Code. This report outlines the corporate governance practices adopted by the Group, embodying the principles of the 2018 Code. The Board will continue to improve with developments by enhancing its principles and framework.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Group.

Provision 1.1 – Principal functions of the Board

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

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

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

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

Report on Corporate Governance

Provision 1.2 – Directors' orientation and training

The Board has adopted the Board Terms of Reference which sets out the principal roles of the Board including Independent Directors, responsibilities and power of the Board and various Board Committees of the Company as well as division of responsibilities between Executive Chairman and Chief Executive Officer (“**CEO**”). The duties and responsibilities of the executive directors are clearly set out in their service agreements. Roles of the Executive Chairman, CEO and Chairman Emeritus are defined for each to effectively discharge his duties. Non-executive and Independent Directors provide independent and objective check on Management.

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

The Board recognizes the importance of appropriate orientation, training and continuing education for its Directors. The Company provides training to Directors annually on changes to the relevant new laws, regulations and changing commercial risks. During FY2023, 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**”). All Directors have completed the course on sustainability matters organised by the Singapore Institute of Directors as required under Rule 720 of the Listing Manual of the SGX-ST (“**Listing Manual**”). 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.

Provision 1.3 – Matters requiring Board's approval

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

Provision 1.4 – Delegation by the Board

To facilitate effective execution of its function, the Board has delegated specific responsibilities to three subcommittees namely the Audit and Risk Management Committee (“**ARMC**”), Nominating Committee (“**NC**”) and Remuneration Committee (“**RC**”). 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.

Provision 1.5 – Board meetings, attendance and multiple commitments

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 FY2023 are set out as follows.

ATTENDANCE OF MEMBERS AT MEETINGS OF THE BOARD AND THE BOARD COMMITTEES

HELD DURING FY2023

Name of director	Board	Audit and Risk Management committee		Nominating committee		Remuneration committee		
	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended
Mr. Ng Kin Wing, Raymond (Executive Director/Executive Chairman)	2	2						
Mr. Ng Mun Kit, Michael (Executive Director/CEO)	2	2						
Mr. Ng Yuk Wing, Philip (Executive Director/Chairman Emeritus)	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
Mr. Kuan Cheng Tuck (Lead Independent Director)	2	2	2	2	2	2	2	2

Note: In addition to the above meetings, the independent directors had no less than six (6) ad hoc meetings with the executive directors and management during FY2023. Such meetings covered matters relating to strategic and direction planning and operation of the Group, among others.

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. All meetings during FY2023 were held remotely and/or physically.

Provision 1.6 — 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 and allows decision making. Management provides all members of the Board with a balanced and understandable key financial data with such information and explanation on a quarterly basis. Furthermore, the Management has been providing all the Executive Directors with monthly consolidated financial reports. The Board papers include minutes of the previous meeting, financial results announcements, and reports from Management, internal and external auditors. Each director reviews all materials provided by the Company relating to

matters to be considered at the meetings. Directors are provided with additional information from Management, upon their request. Management provides information in a timely manner to allow Directors to make informed decisions. Summary of financial data would be provided by Management to the Board on quarterly basis.

A calendar of meetings is scheduled for the Board a year in advance. At each Board meeting, Independent Directors are briefed on the Company's business including risk issues and financial environment and they are also updated on the issues discussed at the monthly management meeting. This information will enable the directors to actively participate in discussions and make informed decisions. Directors with multiple board representations have attended all meetings and devoted sufficient time and attention to the Company's affairs.

Provision 1.7 – Access to Management, Company Secretary and External Advisers

The Directors have separate and independent access and they may communicate directly with the Management team and Company Secretaries 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.

Report on Corporate Governance

The Company Secretaries administer, attend and prepare minutes of Board and Board Committee meetings. The Chairman of all Board and Board Committees will be assisted by the Company Secretaries in ensuring that procedures are followed and reviewed so that the Board and Board Committees function effectively and ensures that the Company's Bye-Laws and relevant rules and regulations, including the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") are complied with. During FY2023, the Company Secretaries attended all Board and Board Committee meetings. The Company Secretaries also act as the primary channel of communication between the Company and the SGX-ST. The appointment and removal of the Company Secretaries are subject to the Board's approval.

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Provision 2.1 – Board Independence

Provision 2.2 – Majority Independent Directors where Chairman is not independent

Provision 2.3 – Majority Non-Executive Directors in a Board

As at the date of this report, the Board comprises six Directors, three of whom are independent. Although Non-Executive and Independent Directors did not make up a majority of the Board, where the Chairman is not independent, the Board has diversity of thought and background in its composition with Independent Directors exercising oversight function and leading discussions to form decisions in the best interests of the Company. The Board believes the current Board composition drives performance, create shareholder value and maintain a proper tone at the top. Executive Directors, who formed half of the Board, are working to protect and enhance the best interests of shareholders with returns or benefits for shareholders while Independent Directors with diversity of skills set ensures diversity in decision-making and enable the formation of Board Committees. The Board was not aware of any difficulty in reaching consensus and making timely decisions with Independent Directors make up half

of the Board where the Chairman is not independent. The continued services of current size of the Board are crucial and critical as its valuable experience and expertise contribute to the Group's decision-making process. The current Board composition have contributed significantly in terms of experience, expertise, professionalism, integrity, objectivity and independent judgment in engaging and challenging Management to the best interests of the Group as it performs its duties in good faith, which by means are more prudent measures than ascertaining majority non-executive and independence of the Board size. Given the dynamic business nature of the Group which constantly render uncertain situations and new external challenges, preserving the Board would avoid undue disruption and help to maintain knowledge and continuity in the Board. It is therefore more important to harness the relevant expertise of the Executive Directors to tide through this period as opposed to reconstituting the Board to comply with the 2018 Code. Key information of the Board is found under the Board of Directors section of the Annual Report.

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

- 1 Whether a director, or a director whose immediate family member, in the current or immediate past financial year, provided to or received from the company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services), other than compensation for board service. Payments aggregated over any financial year in excess of S\$50,000 should generally be deemed significant.

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

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

- (a) a director who is being employed by the Company or any of its related corporations for the current or any of the past three financial years;
- (b) a director who has an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations and whose remuneration is determined by the Remuneration Committee ("RC");
- (c) if he has been a director for an aggregate period of more than nine years (whether before or after listing) which such director may continue to be considered independent until the conclusion of the financial year ending on or after 31 December 2023 (effective 11 January 2023).

The NC reviewed the declaration of independence of each director and was satisfied that all Independent Directors were considered independent for the purpose of Provision 2.1 of the 2018 Code and Rule 210(5)(d) of the Listing Manual. The Independent Directors do not have any relationship with the Company, related corporations, its substantial shareholders or officers. The Independent Directors are not employees of any company within the Group. The continued appointment of Mr Lim Yew Kong John and Mr Lawrence Kwan as Independent Directors pursuant to Rule 210(5)(d)(iii) of the Listing Manual (deleted on 11 January 2023) for a director who has served on the Board for more than 9 years, was approved in separate resolutions passed by (a) all shareholders; and (b) shareholders excluding the Directors and CEO of the Company, and their associates ("**Two-tier voting**") was approved at the last Annual General Meeting ("**AGM**") held on 28 October 2021. The Two-tier voting was revoked on 11 January 2023. As a transitional measure, an existing independent director who has exceeded the tenure limit as at 11 January 2023 may continue to be regarded as independent until the date of the Company's AGM held for the financial year ending on or after 31 December 2023 ("**Transition Period**"). During the Transition Period, directors who have served for more than 9 years can remain as independent directors so long as they meet the requirements in Rule 210(5)(d)(i) and 210(5)(d)(ii) of the Listing Manual.

Mr Lim Yew Kong John and Mr Lawrence Kwan met the requirements set out in Rule 210(5)(d)(i) and (ii) of the Listing Manual, as explained under item (a) and (b) above, and remain as independent directors during the transitional period between 11 January 2023 and the Company's AGM for the financial year ending 30 June 2024. The Board is taking action to appoint new independent directors and review the composition of the Board and Board Committees to ensure compliance with the Listing Manual.

The Nominating Committee and the Executive Board had commenced identifying potential candidates for appointment as independent directors to replace those independent directors whose tenure has exceeded nine years. The NC had met with two potential candidates, in person in Hong Kong, in August 2023 and is still in the process of assessing their suitability.

Report on **Corporate Governance****Provision 2.4 – Board composition and diversity**

The Board comprises six (6) Directors as follows:

Ng Kin Wing, Raymond	–	Executive Director/Executive Chairman
Ng Mun Kit, Michael	–	Executive Director/Chief Executive Officer
Ng Yuk Wing, Philip	–	Executive Director/Chairman Emeritus
Lim Yew Kong, John	–	Non-Executive Director and Independent
Lawrence Kwan	–	Non-Executive Director and Independent
Kuan Cheng Tuck	–	Non-Executive Director and Independent

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

Senior Management is pivotal to the Company. The Board is supported by Senior Management, comprising at least a quarter are women team members who have been with the Company for over 20 years. The Company values the contribution by each member of the Senior Management. The Board will constantly examine its size with a view of determining its impact on its effectiveness. Qualifications and experiences of the Board members and Senior Management are set out under the Board of Directors and Senior Management sections of the Annual Report.

Directors with diverse range of skills and knowledge with experiences in different industry brings depth to Board discussion which eventually forms corporate strategy for the Company. The Board comprises Directors who comes from various professions. These include accounting or finance, legal, business or management experience and engineering. Specific expertise and experience of Directors are set out in the Board of Directors section. The NC will include female candidates in the search for board candidate from time to time and will advance female candidates, who met the required skills and experiences, for appointment as a Director. The candidates will be considered against objective criteria, having due regard for the benefits of diversity balanced with the needs of the Board. Meanwhile, the Board has sought to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board, such refreshment process of the Board with the appointment of independent directors would take time until the next AGM for the financial year ending 30 June 2024. The Board and NC would consider specific aspect of diversity to focus on in FY2024. The NC and the Board will also consider the benefits of all aspects of diversity, including diversity of background, experience, gender, age and other relevant factors, as and when appropriate.

Provision 2.5 – Meeting of Non-Executive Directors and/or Independent Directors without Management

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

PRINCIPLE 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1 – Separation of the role of the Chairman and the CEO***Provision 3.2 – Role of the Chairman and the CEO***

There is a clear division of responsibilities between the Executive Chairman and Chief Executive Officer (“CEO”) in the Board Terms of Reference which ensures there is a balance of power and accountability, such that no one individual represents a considerable concentration of power.

The Executive Chairman and CEO of the Company is Mr. Ng Kin Wing, Raymond (“**Mr. Raymond Ng**”) and Mr. Ng Mun Kit, Michael (“**Mr. Michael Ng**”) respectively. Mr. Raymond Ng is a brother of Mr. Ng Yuk Wing Philip (“**Mr. Philip Ng**”) and uncle of Mr. Michael Ng. Mr. Raymond Ng is one of the founders of the Group and has over 40 years of experience in the component distribution business.

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. Michael Ng manages the business operations and affairs of the Group and day-to-day management of the Company, organizational effectiveness and implementation of strategies and objectives with the Board’s approval. Mr. Michael Ng works closely with the other Executive Directors and assisted by a team of Senior Management.

Provision 3.3 – Lead Independent Director

The Board has written terms of reference for the Lead Independent Director (“LID”) that describes the responsibilities and authority of a LID. Mr. Kuan Cheng Tuck is the LID. The LID shall be available to the shareholders where they have concerns which contact through the normal channels of the Executive Chairman, CEO or Management has failed to resolve or for which such contact is inappropriate or inadequate.

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 Executive Chairman after such meetings.

Report on **Corporate Governance****BOARD MEMBERSHIP**

Principle 4: The Board has a formal and transparent process for the appointment and reappointment of Directors, taking into account the need for progressive renewal of the Board.

Provision 4.1 and 4.2 – Roles and composition of the NC

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

Mr. Lawrence Kwan	–	Chairman
Mr. Lim Yew Kong, John	–	Member
Mr. Kuan Cheng Tuck	–	Member

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

- Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the board and make recommendation to the Board with regard to any changes;
- Identify candidates and review all nominations for the appointment of directors, CEO or Board Committees;
- 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 and recommend to the Board, review training and professional development programs for the Board;
- reviewing and determining the independence of each Director annually and also considers the continued independence of any Directors reaching 9 years from date of appointment;
- deciding whether or not a Director is able and has been adequately carrying out his duties as a Director in particular a Director who has multiple Board representations; and

- Review the results on board performance evaluation process and decide on how the Board's performance may be evaluated and propose objective performance.

Provision 4.3 – Board Renewal

The NC has a process for the appointment of new Directors whereby the NC first evaluates the skill set of the existing Directors (other than those who are retiring) to identify any gap in the skills and expertise of the remaining Directors. Where new appointment is required, the NC will consider recommendations for new Directors, review their qualifications and meet with such candidates, before a decision is made on a selection. The NC considered the requirements of the Board and the need of progressive renewal of the Board. In view of the foregoing, the Board is of the view that there is an adequate process for the appointment of new Directors. The criteria for identifying candidates and reviewing nominations for appointment include age and gender diversity. When sourcing for, and assessing potential candidates, the NC will consider the candidate's track record, age, experience, and capabilities.

The Board 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.

Provision 4.4: Independence review of Directors

In accordance with the provisions of the Company's Bye-Laws, each Director shall retire at least once every 3 years. Any Director appointed by the Board shall retire at the next annual general meeting of the Company. A retiring director shall be eligible for re-election at the said AGM. Mr. Lawrence Kwan and Mr. Ng Mun Kit, Michael are due for retirement pursuant to the provision of Bye-law 86 at the forthcoming AGM. Mr. Lawrence Kwan and Mr. Ng Mun Kit, Michael had confirmed seeking re-election at the forthcoming AGM. The NC, having assessed the performance and contribution to the Board and the Company, has recommended the re-election of Mr. Lawrence Kwan and Mr. Ng Mun Kit, Michael as Directors of the Company at the forthcoming AGM.

In reviewing the continued appointment, the Board is cognizant of the Board's effectiveness and the Company's success is build upon the relative stability of the Board's composition over the years. Longer-serving Board members amass valuable knowledge of the Group's businesses and are able to provide strategic direction and oversee management's performance in the medium to long-term.

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

Provision 4.5 – Duties and obligations of Directors

The Board has annually 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. As a team, the Board collectively provides core competencies in the areas of legal, finance, business, electronic engineering, business acumen and management experience. The Board is of the view that no individual or small group of individuals dominates the Board's decision-making process.

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 their external appointment and these changes are noted at the Board meetings. The NC reviews whether a director is able to and has adequately carried out his duties, in particular where a director has multiple board representations. The NC is satisfied that each of the Directors was able to give sufficient time and attention to the affairs of the Company and was able to adequately carry out his duties as a director of the Company despite their board representations in other listed companies.

With 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.

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.

Report on **Corporate Governance**

Presently, the Company does not have alternate director.

Particulars of Directors as at 30 June 2023

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	05.09.2002	27.10.2022	Executive Chairman and Executive Director	None	None
Mr. Ng Mun Kit, Michael	01.07.2018	28.10.2021	Chief Executive Officer and Executive Director	None	None
Mr. Ng Yuk Wing, Philip	05.09.2002 [#]	28.10.2021	Chairman Emeritus and Executive Director	None	None
Mr. Lim Yew Kong, John	20.01.2005	28.10.2021	Independent Director	Chairman of Remuneration Committee and a Member of Audit and Risk Management Committee and Nominating Committee	Global Invacom Group Limited (SGX) Zico Holdings Inc. (SGX)
Mr. Lawrence Kwan	13.07.2012	28.10.2021	Independent Director	Chairman of Nominating Committee and a Member of Audit and Risk Management Committee and Remuneration Committee	SBI Offshore Ltd (in liquidation) (SGX)
Mr. Kuan Cheng Tuck	23.10.2020	27.10.2022	Independent Director	Chairman of Audit and Risk Management Committee and a Member of, Remuneration Committee and Nominating Committee	<u>Present Directorships</u> 1) CNMC Goldmine Holdings Limited 2) Kori Holdings Limited <u>Past Directorships (over the preceding three years)</u> Green Build Technology Limited

[#] Mr. Ng Yuk Wing, Philip ("**Philip Ng**") was first appointed as Executive Director and Executive Chairman of the Company on 5 September 2002. He ceased as Executive Chairman of the Company on 9 October 2014 and was designated as Senior Executive Director of the Company on the same day. He resigned as Executive Chairman and Senior Executive Director on 1 July 2018, and was appointed as Executive Advisor on that date. After serving as Executive Advisor from 1 July 2018 to 31 March 2021, Mr. Philip Ng was appointed as Executive Director on 1 April 2021 and took on the role as Chairman Emeritus effective 1 July 2021. He was re-elected as Executive Director/Chairman Emeritus at the last Annual General Meeting held on 28 October 2021.

BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual Directors.

Provisions 5.1 and 5.2 – Board Evaluation Process

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 FY2023. The performance criteria remained the same as last year. During FY2023, the Board had reviewed the performance criteria which includes evaluation on matters relating to risk management. Some of the factors considered relate to Board's conduct of affairs, Board information on provision of sufficient information for major long-term trends and strategic alternatives and accountability to effectively identify, assess and respond to significant risks. The Group has conducted Board-approved evaluation process and performance criteria for such evaluation and determination.

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

The assessment process involves and includes circulation of the evaluation of questionnaire to all Board members with the performance criteria recommended by the NC and approved by the Board. The Directors' input was 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 Directors, provides insight on the business and industry with the objective of finding opportunities for improvement and enhancing long-term shareholder value. The NC provides its views to the Board for the Board's consideration. The Chairman ensures that action is taken on the results of the performance evaluation.

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

Summary of NC activities in FY2023:

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

The Board has not engaged any external consultant to conduct an assessment of the performance of the Board, Board Committees and each individual Director and the Chairman for FY2023. Where relevant, the NC will consider such an engagement.

Report on **Corporate Governance****REMUNERATION MATTERS****PROCEDURES FOR DEVELOPING REMUNERATION POLICIES**

Principle 6: The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his or her own remuneration.

Provisions 6.1 and 6.2 – Composition of the RC

The RC comprises three members, all are non-executive and independent directors. They are:

Mr. Lim Yew Kong, John	–	Chairman
Mr. Lawrence Kwan	–	Member
Mr. Kuan Cheng Tuck	–	Member

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

- review and recommend to the Board a framework of remuneration for the Board and the key executives of the Group with a view to structure the remuneration for the executive director and key management personnel so as to link rewards to group or corporate and individual performance, to align their interests with those of shareholders and to give these directors incentives to perform at the highest levels;
- review the terms of appointment and remuneration of the executive directors and key Executives of the Company and when deem appropriate, to make any recommendation in relation thereto;
- review and recommend to the Board the terms of renewal for executive directors whose current employment contracts will expire or had expired;
- review the compensation package of the non-executive directors;

- consider long-term incentive schemes for executive directors and key executives and review eligibility for benefits of executive directors and key executives under long-term incentive schemes; and
- consider and recommend to the Board the disclosure of the details of the Company's remuneration, specific remuneration packages of the Directors and key executives of the Company to those required by law or by the 2018 Code.

Provision 6.3 – Remuneration framework

The Directors do not participate in any decision concerning their own remuneration. The RC reviewed and discussed 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 FY2023, the Company has not issued any new ordinary shares upon the exercise of options under the 2005 ESOS. No options were granted under the 2014 ESOS during FY2023. There was no share option outstanding as at 30 June 2023 as all share options granted under 2005 ESOS were either exercised or lapsed.

The RC also administers the Karin Performance Share Plan (the “**Share Plan**”) in accordance with the Rules of the Share Plan approved by Shareholders on 28 October 2021. The new Share Plan is a new compensation scheme that promotes higher performance goals and recognises exceptional achievement. The Company has taken steps to align itself with and embrace local trends and best practices in compensation. The key objectives of the Share Plan is to help fulfil the Company’s primary long-term objective of motivating deserving and person selected to participate in the share plan (“**Participants**”) to optimise their performance standards and efficiency and to maintain a high level of performance and contribution. The Share Plan further motivates Participants that the Company regards as integral to the Group to strive for superior performance and to deliver long-term shareholder value, as well as to enhance the Group’s overall compensation packages to attract and retain high performing talent. No member of the RC shall be involved in any deliberation of Awards to be granted to him. During FY2023, pursuant to the Share Plan, 600,000 shares were awarded to Independent directors and 1,000,000 shares were awarded to key executives. For further details, please refer to the announcement dated 4 January 2023.

The purpose of adopting more than one share plan is to give the Company greater flexibility in aligning the interests of 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 23 October 2020, shareholders have approved the participation in the Share Plan by the respective controlling shareholder, Mr. Raymond Ng, Mr. Michael 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. The Company did not obtain shareholders’ approval at the AGM on 27 October 2022 for the grant of specific number of shares under the Share Plan to Mr. Raymond Ng, Mr. Michael 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.

Provision 6.4 – Remuneration consultant

No external remuneration consultant was appointed in FY2023. If necessary, the RC shall seek expert advice on remuneration of all directors and ensure that any relationship between the appointed consultant and any of its director or company will not affect the independence and objectivity of the remuneration consultant.

Report on Corporate Governance

LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Provisions 7.1 and 7.3 – Remuneration of Executive Directors and KMPs

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

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

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

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

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

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

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

Provision 7.2 – Remuneration of Non-Executive Directors

Independent Directors would generally receive their remuneration in the form of Directors' fees which have to be approved by the shareholders at every AGM. During FY2023, in addition to the Directors' fees, each of the independent directors was also awarded 200,000 shares of the Company pursuant to the Karin Performance Share Plan, details of which was disclosed in the previous Annual Report.

Provision 7.3 – Long Term Incentives

Karin Share Incentive Scheme

The purpose of the proposed share awards (see below) pursuant to the Karin Performance Share Plan is to reward key company persons (including directors) within the Karin Group for their performance over the period in FY2023 and to recognize their work in the recent years alongside the 45th Anniversary of the Karin Group. One of the key elements to ensure the Group's continued success would be the maintenance of talents and strong spirit to drive the Group's business in the long-term. The proposed share awards would further promote the employees' sense of belonging with the Company, and is believed to be a better mode of recognition than an outright cash-based reward.

The Karin Group's Independent Directors have shown huge commitments and incurred significant amount of time in attending meetings and discussing numerous corporate, operational and governance matters during the financial year. The Executive Directors proposed and the Board (with the recusal of the Independent Directors) approved 600,000 shares to be awarded to the Independent Directors pursuant to the Karin Performance Share Plan. Each of the Independent Directors was issued and awarded 200,000 shares on 4 January 2023.

A total of 1,000,000 shares was awarded and issued on 4 January 2023 to eligible employees pursuant to the Karin Performance Share Plan after Board approval (upon recommendation by RC). Such eligible employees would include senior management of operations, and general managers of the Company with reference to their

performance achieved in the recent years. The elements of measurement includes sales and business performance, operational achievements, management achievement, business development, future planning and execution.

DISCLOSURE ON REMUNERATION

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1 – Disclosure of remuneration

The breakdown of annual remuneration of each individual Director and the top 5 key executives (in bands of S\$250,000) for the financial year ended 30 June 2023 are set out below.

Directors' Remuneration

Name of director	Director's fee S\$'000	Salary & benefit S\$'000	Variable bonus S\$'000	Share-based awards S\$,000	Grant of share options S\$'000	Total S\$'000
Mr. Ng Kin Wing, Raymond	–	367	32	–	–	399
Mr. Ng Mun Kit, Michael	–	353	32	–	–	385
Mr. Ng Yuk Wing, Philip	–	148	16	–	–	164
Mr. Lim Yew Kong, John	50	–	–	69	–	119
Mr. Lawrence Kwan	50	–	–	69	–	119
Mr. Kuan Cheng Tuck	50	–	–	69	–	119

Top 5 Key Executives' Remuneration

Name of key executive	Remuneration band	Salary & benefit %	Variable bonus %	Share-based awards %	Grant of share option %	Total %
Mr. Cheng Pak Cheong, Ray	I	80.9	6.9	12.2	–	100.0
Ms. Fan Shu Yung, Cecilia	I	73.6	16.8	9.6	–	100.0
Mr. Lee Yiu Chung, Eugene	II	85.2	14.8	–	–	100.0
Mr. Leung Yiu Chown, Desmond	II	52.3	34.8	12.9	–	100.0
Mr. Mok Pui Wah, Kenneth	I	80.6	7.0	12.4	–	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****Provision 8.2 – Remuneration of related employees**

Information on immediate family members of a director or CEO and whose remuneration exceeds S\$100,000 during FY2023 is set out below.

Name	Family relationship with any Director and/or substantial shareholder	Remuneration band
Nil	N/A	N/A

The Company's Key Executives (excluding Executive Directors) are responsible for planning, directing and controlling activities of the Company and its subsidiaries. The total remuneration paid to the top 5 Key Executives for FY2023 is approximately S\$1,341,000. Key Executives' remuneration is set in accordance with a remuneration framework comprising salary (including basic salary and benefits-in-kind), and variable payments.

For FY2023, there were no termination, retirement and post-employment benefits granted to the Executive Directors and Key Executives.

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

Provision 8.3 – Forms of remuneration and details of employee share schemes

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

Summary of RC activities in FY2023:

- reviewed and approved fixed remuneration for Executive Directors;
- reviewed remuneration packages of key executives in the Group; and
- considered the various disclosure requirements for directors' remuneration under the 2018 Code.

ACCOUNTABILITY AND AUDIT**RISK MANAGEMENT AND INTERNAL CONTROLS**

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders

Provision 9.1 – Nature and extent of risks

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, information technology and compliance, by considering reviews performed by the Management and the internal assessment reports performed by internal audit staff personnel from the Internal Audit Department.

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

The Board reviews the adequacy and effectiveness of the Company’s internal control systems (including financial, operational, compliance and information technology) and risk management systems. Based on the reports presented, the Board is satisfied that the system of internal controls established and maintained by the Group addressing financial, operational, compliance and information technology controls as well as risk management systems, were adequate and effective 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 FY2023. The ARMC concurred with the Board’s comments as aforementioned.

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

Provision 9.2 – Assurance from the CEO, Group CFO and KMPs

The Board received assurance in writing from the CEO and Group Financial Controller, namely, Mr. Ng Mun Kit, Michael 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 Mun Kit, Michael and Mr. Wong Chi Cheung, Clarence also includes the adequacy and effectiveness of the Company’s risk management and internal control systems (including financial, operational, information technology and compliance).

AUDIT COMMITTEE

Principle 10: The Board has an Audit and Risk Management Committee which discharges its duties objectively.

Provisions 10.1, 10.2 and 10.3 – Composition of the Audit and Risk Management Committee (“ARMC”)

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

Mr. Kuan Cheng Tuck	–	Chairman
Mr. Lawrence Kwan	–	Member
Mr. Lim Yew Kong, John	–	Member

All members of the ARMC including the Chairman have accounting or related financial management expertise or experience.

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

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 the scope and results of external audit and independence and its cost effectiveness, independence and objectivity of the Company’s external auditor and also to review the audit report from the external auditor;
- review the co-operation given by the Company’s officers to the external auditors;
- review the system of internal accounting controls with the external auditor;

Report on **Corporate Governance**

- nominate external auditors for re-appointment and approve the remuneration and terms of engagement of the external auditor;
- review interested person transactions, if any;
- review adequacy and effectiveness of the Group's internal controls including financial, operational, compliance and information technology controls;
- review the scope and results of the internal audit procedures;
- Ensure the internal audit function is adequately resourced and has appropriate standing within the Company and also ensure the adequacy of the internal audit function;
- review Whistle-Blowing Policy and to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action;
- meet with the external and internal auditors without the presence of the Management at least once a year;
- commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our operating results and/or financial position; and
- undertake such other reviews and projects as may be requested by the board of directors, and to report to the board of directors its findings from time to time on matters arising and requiring the attention of the ARMC.

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, Ernst & Young, LLP meets the audit requirements and statutory obligation of the Company for FY2023.

At the AGM held on 27 October 2022, Ernst & Young LLP, was appointed to comply with the amended Rule 712 of the Listing Manual, in place of the retiring Auditors, Messrs. Ernst & Young, Hong Kong. Ernst & Young LLP is an auditing firm approved under the Accountants Act 2004 of Singapore.

The Company confirms that it is or will be in compliance with Rules 712 and 715 of the Listing Manual in relation to the appointment of Ernst & Young LLP as the Auditor.

For FY2023, 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 SGXST. 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 company	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
Karsing Pte. Ltd	HLB Atrede LLP
Shanghai Cosel International Trading Co. Ltd.	Shanghai HDDY Certified Public Accountants Co., Ltd

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

The ARMC 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, misconduct or wrongdoing in matters of financial reporting or other matters relating to the Company and its officers. 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 objectives of the whistle-blowing policy are to ensure that arrangements are in place for independent investigation of such matters and for appropriate follow-up action. The ARMC is responsible for oversight and monitoring of whistleblowing and report to the Board. Safeguards are in place in the whistleblowing policy to allow whistleblowing reports be made in good faith and identity of the whistleblower kept confidential. The Company is committed to protect whistleblower against detrimental or unfair treatment. 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, the external auditor 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.

Provision 10.4 – Internal audit function

The Company has established an Internal Audit Department and employed a full time Internal Auditor whom is a member of the CPA Australia 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.

Report on Corporate Governance

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

Provision 10.5 – ARMC activities during the year

Summary of ARMC activities for FY2023:

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

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.

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provisions 11.1, 11.2, 11.3 and 11.4 – Conduct of general meetings

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

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

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

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

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

The Company holds its AGM in Singapore. Due to the COVID-19 restriction orders in Singapore, the Company held the Annual General Meeting 2022 (“**AGM 2022**”) on 27 October 2022 pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements were arranged such as attendance at the AGM 2022 by way of electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM 2022, addressing of substantial and relevant questions at the AGM 2021 and voting by appointing the Chairman of the Meeting as proxy at the AGM 2022. Minutes of the AGM 2022 was published in the SGXNET.

In view of the cessation of the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings) Orders (the “**Meetings Orders**”) in Singapore, the forthcoming AGM scheduled on 26 October 2023 will be held physically in Singapore. Please refer to the Notice of AGM of the Annual Report.

Provision 11.5 – Minutes of general meetings

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 were published in the Company’s website and SGXNET within one month from date of AGM. Minutes of AGM held on 27 October 2022 was published on SGXNET and the Company’s website on 25 November 2022.

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

Provision 11.6 – Dividend policy

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 FY2023, in addition to the already paid interim dividend of HK5.2 cents per share, the Company is recommending a final dividend of HK15.0 cents per share, subject to approval by shareholders at the Annual General Meeting.

Report on Corporate Governance

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Provisions 12.1, 12.2 and 12.3 – Stakeholder engagement

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

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

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

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

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

Provisions 13.1, 13.2 and 13.3 – Stakeholder engagement

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

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

The Company is committed to enhance and improve the current engagement initiatives, while staying abreast of new trends or developments that may affect the sustainability standing of the Company, and eventually devise corresponding measures to resolve the new ESG issues. For more information on the Company's approach to stakeholder engagement and materiality assessment, please refer to the Company's Sustainability Report which will be available before or by 31 October 2023.

DEALINGS IN SECURITIES

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

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

MATERIAL CONTRACTS

Save for the service agreement between the Executive Directors (including CEO) and the Company, there are no material contracts entered into by the Company and its subsidiaries involving the interest of CEO, any director or controlling shareholder, which are subsisting at the end of FY2023.

INTERESTED PERSON TRANSACTIONS

All interested person transactions are documented and reported in a timely manner to the ARMC to ensure the transactions are conducted on normal commercial terms and are not prejudicial to the interest of the Company and its minority shareholders.

The Company does not have an Interested Person Transactions mandate.

The transaction with an interested person for transactions entered into for the financial year ended 30 June 2023 is as follows.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
JP Software Inc* Provision of IT programming services	HK\$1,431,385 (equivalent to S\$248,947)	NIL

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

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

Report on **Corporate Governance**

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 and financial risks (see Note 34 to the financial statements) 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. The ARMC is assisted by the Internal Risk Management Team (“**IRMT**”) which is a committee comprising Executive Directors and Senior Management who meets on a regular basis to review risks associated to daily operations.

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 2023. Whistle-blowing policy both in English and Chinese are made available to all stakeholders of the Company through publishing it on the Group’s corporate website.

SUSTAINABILITY REPORT

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

Currently, the Group is in the process of preparing its 2023 Sustainability Report and compiling the relevant ESG factors, with the support of an external consultant. Within this report, the Group will disclose the environmental, social, climate and governance factors that are most relevant, how these will be measured, monitored and managed and the targets for the forthcoming year. The Group looks forward to sharing this report on the website of SGX-ST.

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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 2023.

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 Director and Executive Chairman

Mr. Ng Mun Kit, Michael — Executive Director and Chief Executive Officer

Mr. Ng Yuk Wing, Philip — Executive and Chairman Emeritus

INDEPENDENT DIRECTORS:

Mr. Lim Yew Kong, John

Mr. Lawrence Kwan

Mr. Kuan Cheng Tuck

In accordance with the bye-laws of the Company, Mr. Lawrence Kwan and Mr. Ng Mun Kit, Michael are due for retirement at the forthcoming annual general meeting (“**AGM**”) and will offer themselves for re-election.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

Details of the results of the Group for the year ended 30 June 2023 and the financial position of the Company and of the Group at that date are set out in the financial statements on pages 61 to 132.

An interim dividend of HK5.2 cents per ordinary share with a total amount of approximately HK\$11,250,000 was paid on 16 March 2023. The directors of the Company proposed a final dividend for the year ended 30 June 2023 of HK15.0 cents per ordinary share with a total amount of approximately HK\$32,452,000. This recommendation is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS

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.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of director	Direct interest		Deemed interest	
	At the beginning of the financial year	At the end of the financial year	At the beginning of the financial year	At the end of the financial year
Ordinary shares of the Company (ordinary shares of HK\$0.10 each)				
Mr. Ng Kin Wing, Raymond	–	–	70,639,950 ⁽¹⁾	70,639,950
Mr. Ng Yuk Wing, Philip	–	–	72,151,950 ⁽²⁾	72,151,950
Mr. Ng Mun Kit, Michael	–	–	70,639,950 ⁽³⁾	70,639,950
Mr. Lim Yew Kong, John	100,000	300,000	–	–
Mr. Lawrence Kwan	–	200,000	–	–
Mr. Kuan Cheng Tuck	–	200,000	–	–
	100,000	700,000	142,791,900 ⁽⁴⁾	142,791,900

- (1) Mr. Ng Kin Wing, Raymond is the sole shareholder of Kikki Investment Ltd, which directly holds 70,639,950 shares in the Company. Kikki Investment Ltd is an investment holding company.
- (2) Mr. Ng Yuk Wing, Philip is deemed interested through his shareholding in Asia Platform Investment Limited ("Asia Platform") which he indirectly holds 70,639,950 shares and his spouse, who directly holds 1,512,000 shares. Asia Platform is an investment holding company which is wholly owned by Mr. Ng Yuk Wing, Philip and his son, Mr. Ng Mun Kit, Michael. Mr. Ng Yuk Wing, Philip holds not less than 20% of the voting shares in Asia Platform.
- (3) Mr. Ng Mun Kit, Michael is deemed interested through the shareholding of Asia Platform, which directly holds 70,639,950 shares in the Company. Mr. Ng Mun Kit, Michael holds less than 20% of the voting shares in Asia Platform.
- (4) Being the aggregated number of shares held by Asia Platform (70,639,950 shares), Kikki Investment Ltd (70,639,950 shares) and Ms. Leung Tak Ching, spouse of Mr. Ng Yuk Wing, Philip (1,512,000 shares).

REPORT OF THE DIRECTORS

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

There was no change in any of the aforementioned interests between the end of the financial year and 21 July 2023, 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.

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 lapsed due to the resignation of an employee before exercising the share options.

The committee administering the 2005 ESOS comprises three independent directors, namely Mr. Lim Yew Kong, John, Mr. Lawrence Kwan and Mr. Kuan Cheng Tuck.

As at 30 June 2023, 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.

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.

Since the adoption of the 2014 ESOS and during the year under review, no share option was granted pursuant to the 2014 ESOS and no share option was exercised. Further details of the 2014 ESOS are set out in note 28 to the financial statements.

REPORT OF THE DIRECTORS

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 Mr. Lim Yew Kong, John, Mr. Lawrence Kwan and Mr. Kuan Cheng Tuck.

On 4 January 2023, pursuant to the Plan, 1,600,000 shares were issued and awarded to independent directors (600,000 shares) and key executives (1,000,000 shares) of the Company.

As at 30 June 2023, 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.

The Plan expired on 21 October 2020 and was renewed at the AGM on 23 October 2020 for a maximum period of ten years.

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. Kuan Cheng Tuck (Chairman)
Mr. Lawrence Kwan
Mr. Lim Yew Kong, John

The Audit and Risk Management Committee performs the functions specified in the Listing Manual and the Best Practice Guide of the Singapore Exchange Securities Trading Limited, and the Code of Corporate Governance 2018. The functions performed are detailed in the Report on Corporate Governance on pages 25 to 48 of the Annual Report.

The Audit and Risk Management Committee has nominated Messrs. Ernst & Young LLP 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.

REPORT OF THE DIRECTORS

AUDITORS

The auditors, Messrs. Ernst & Young LLP, have expressed their willingness to accept the re-appointment.

On behalf of the board of directors:

Ng Kin Wing, Raymond

Executive Director and Executive Chairman

Ng Mun Kit, Michael

Executive Director and Chief Executive Officer

28 September 2023

STATEMENT BY THE 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 61 to 132 give a true and fair view of the financial position of the Company and of the Group as at 30 June 2023 and of the financial performance, 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 Director and Executive Chairman

Ng Mun Kit, Michael
Executive Director and Chief Executive Officer

28 September 2023

INDEPENDENT AUDITOR'S REPORT



To the members of Karin Technology Holdings Limited

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the financial statements of Karin Technology Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”), which comprise the statements of financial position of the Group and the Company as at 30 June 2023, and the consolidated statement of profit and 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 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 2023 and of the consolidated financial performance and consolidated cash flows of the Group for the year ended on that date in accordance with International Financial Reporting Standards (“**IFRS**”) 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 Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants (the “**IESBA**”) Code of Ethics for Professional Accountants (the “**IESBA Code**”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 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 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 financial statements.

INDEPENDENT AUDITOR'S REPORT

PROVISION FOR EXPECTED CREDIT LOSSES ON TRADE RECEIVABLES

As at 30 June 2023, the Group recorded trade receivables of HK\$404,003,000, which represented 37% of the total assets of the Group. Significant management judgements and estimations are required in assessing the expected credit losses ("ECLs") for the trade receivables, with reference to the ageing profile of the trade receivables, historical credit loss experience and both the current and forecast general economic conditions at the reporting date. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. During the financial year, the Group recorded a reversal of impairment amounted to HK\$2,367,000 as the assessed ECL required as at the reporting date is lower than prior financial year. As this assessment requires significant management judgment, we determined this to be a key audit matter.

In evaluating management's impairment assessment, our procedures included reviewing collectability by obtaining, on a sample basis, evidence of settlements from customers and reviewing credit notes issued subsequent to the financial year end. We assessed management's provision matrix and key assumptions used by management such as the historical credit loss rate and forward-looking adjustments. We checked arithmetic accuracy of the ECL calculation. We also assessed the disclosure related to trade receivables in note 19 to the financial statements.

PROVISION FOR OBSOLETE AND SLOW-MOVING INVENTORIES

As at 30 June 2023, the Group recorded inventories of HK\$258,013,000 after provision against obsolete and slow-moving inventories of HK\$7,473,000. The inventories balance accounted for 24% of the total assets of the Group. The inventories comprise trading inventories. During the financial year, the Group recorded a reversal of provision amounted to HK\$2,770,000 when the related inventories were sold above their carrying amounts. The provision is estimated with reference to the rapid technological advancement and macroeconomic challenges. Significant management judgements and estimations are required due to uncertainty about the impact of technological advancement, product life cycle, market conditions and future sales plans which require the management to make judgement based on information available as at year end. As such, we determined this to be a key audit matter.

In evaluating the provision estimated by management, our audit procedures included evaluating the Group's forecasted future sales levels based on past experiences, recent sales transactions and customers' orders, and market-specific considerations. We obtained an understanding of the 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 attended and observed management's inventory counts at selected inventory locations, including the identification of obsolete inventories by management. We tested the arithmetic accuracy of the stock ageing report. We reviewed the inventory provision with reference to stock ageing analysis and net realisable value of inventories by checking to sales transactions after the year end. We also assessed the disclosure related to inventories in note 18 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

INDEPENDENT AUDITOR'S REPORT

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 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 management.
- Conclude on the appropriateness of management's 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 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 financial statements, including the disclosures, and whether the 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 directors 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.

We also provide the directors 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.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the 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 Lim Tze Yuen.

Ernst & Young LLP

*Public Accountants and
Chartered Accountants*
Singapore

28 September 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2023

	Note	2023 HK\$'000	2022 HK\$'000
REVENUE	5	2,039,621	1,992,562
Cost of sales		(1,867,065)	(1,815,937)
Gross profit		172,556	176,625
Other income and gains, net	5	46,756	18,552
Selling and distribution costs		(75,863)	(68,795)
Administrative expenses		(78,108)	(76,839)
Other expenses, net		(1,369)	(8,443)
Finance costs	7	(10,374)	(3,169)
Share of profit of an associate		3,353	1,606
PROFIT BEFORE TAX	6	56,951	39,537
Income tax expense	8	(10,852)	(20,824)
PROFIT FOR THE YEAR		46,099	18,713
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(7,880)	(481)
Share of other comprehensive income of an associate		(479)	(384)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(8,359)	(865)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		37,740	17,848
Profit for the year attributable to:			
Owners of the Company		46,965	20,418
Non-controlling interests		(866)	(1,705)
		46,099	18,713
Total comprehensive income attributable to:			
Owners of the Company		38,956	19,525
Non-controlling interests		(1,216)	(1,677)
		37,740	17,848
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY (HK cents)			
Basic and diluted	10	21.8	9.5

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Note	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	20,751	56,062
Investment properties	12	–	4,506
Goodwill	14	2,098	2,098
Investment in an associate	16	7,350	4,884
Deferred tax assets	26	6,212	7,342
Right-of-use assets	13	10,825	20,155
Prepayments and other assets	20	37,136	27,855
Total non-current assets		84,372	122,902
CURRENT ASSETS			
Inventories	18	258,013	258,217
Trade and bills receivables	19	416,012	455,061
Prepayments, other receivables and other assets	20	171,472	182,742
Financial asset at fair value through profit or loss	17	1,284	1,445
Derivative financial instruments	21	8	–
Cash and cash equivalents	22	90,071	125,265
Assets classified as held for sale	23	936,860 71,031	1,022,730 71,615
Total current assets		1,007,891	1,094,345
CURRENT LIABILITIES			
Trade and bills payables	24	249,750	276,827
Other payables and accruals	24	209,668	213,173
Tax payable		7,586	8,772
Derivative financial instruments	21	–	18
Interest-bearing bank and other borrowings	25	146,443	244,610
Lease liabilities	13	9,371	9,923
Liabilities directly associated with assets classified as held for sale	23	622,818 1,592	753,323 2,262
Total current liabilities		624,410	755,585
NET CURRENT ASSETS		383,481	338,760

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2023

	Note	2023 HK\$'000	2022 HK\$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	7,058	6,925
Other payables	24	32,424	21,140
Other borrowings	25	–	63
Lease liabilities	13	1,673	10,584
Total non-current liabilities		41,155	38,712
Net assets		426,698	422,950
Equity attributable to owners of the Company			
Issued capital	27	21,636	21,476
Treasury shares	27	(19)	(19)
Reserves	29	410,407	404,991
Non-controlling interests		432,024 (5,326)	426,448 (3,498)
Total equity		426,698	422,950

Ng Kin Wing, Raymond*Executive Director and Executive Chairman***Ng Mun Kit, Michael***Executive Director and Chief Executive Office*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2023

	Attributable to owners of the Company												
	Note	Issued	Treasury	Shares	Contributed	Land and	General	Other	Exchange	Retained	Total	Non-	Total equity
		capital	shares	premium	surplus*	buildings	reserve*	reserve*	fluctuation	Profits*		controlling	
		HK\$'000	HK\$'000	account*	HK\$'000	revaluation	HK\$'000	HK\$'000	reserve*	HK\$'000		interests	
(Note 27)	(Note 27)	(Note 27)	(Note 29)	reserve*	(Note 29)	(Note 29)	(Note 29)	HK\$'000	HK\$'000	HK\$'000			
At 1 July 2022		21,476	(19)	45,885	898	57,810	6,150	(890)	6,013	289,125	426,448	(3,498)	422,950
Profit for the year		-	-	-	-	-	-	-	-	46,965	46,965	(866)	46,099
Other comprehensive income for the year													
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(7,530)	-	(7,530)	(350)	(7,880)
Share of other comprehensive income of an associate		-	-	-	-	-	-	-	(479)	-	(479)	-	(479)
Total comprehensive income for the year		-	-	-	-	-	-	-	(8,009)	46,965	38,956	(1,216)	37,740
Contributions by and distributions to owners													
Issue of shares		160	-	3,050	-	-	-	-	-	-	3,210	-	3,210
Final 2022 dividend paid	9	-	-	-	-	-	-	-	-	(25,340)	(25,340)	-	(25,340)
Interim 2023 dividend paid	9	-	-	-	-	-	-	-	-	(11,250)	(11,250)	-	(11,250)
Dividend payable to a non-controlling shareholder		-	-	-	-	-	-	-	-	-	-	(612)	(612)
Total contributions by and distributions to owners		160	-	3,050	-	-	-	-	-	(36,590)	(33,380)	(612)	(33,992)
At 30 June 2023		21,636	(19)	48,935	898	57,810	6,150	(890)	(1,996)	299,500	432,024	(5,326)	426,698

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 30 June 2023

	Attributable to owners of the Company												
	Note	Issued capital	Treasury shares	Shares		Land and buildings revaluation reserve*	General reserve*	Other reserve*	Exchange fluctuation reserve*	Retained Profits*	Non-controlling interests	Total equity	
				premium account*	Contributed surplus*								
				HK\$'000	HK\$'000								HK\$'000
(Note 27)	(Note 27)	(Note 27)	(Note 29)	(Note 29)	(Note 29)	(Note 29)	(Note 29)	HK\$'000	HK\$'000	HK\$'000			
At 1 July 2021		21,476	(19)	45,885	898	57,810	3,435	(890)	6,906	322,102	457,603	(1,821)	455,782
Profit for the year		-	-	-	-	-	-	-	-	20,418	20,418	(1,705)	18,713
Other comprehensive income for the year													
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(509)	-	(509)	28	(481)
Share of other comprehensive income of an associate		-	-	-	-	-	-	-	(384)	-	(384)	-	(384)
Total comprehensive income for the year		-	-	-	-	-	-	-	(893)	20,418	19,525	(1,677)	17,848
Contributions by and distributions to owners													
Final 2021 dividend paid	9	-	-	-	-	-	-	-	-	(23,193)	(23,193)	-	(23,193)
Interim 2022 dividend paid	9	-	-	-	-	-	-	-	-	(27,487)	(27,487)	-	(27,487)
Total contributions by and distributions to owners		-	-	-	-	-	-	-	-	(50,680)	(50,680)	-	(50,680)
Transfer between reserves of a subsidiary		-	-	-	-	-	2,715	-	-	(2,715)	-	-	-
At 30 June 2022		21,476	(19)	45,885	898	57,810	6,150	(890)	6,013	289,125	426,448	(3,498)	422,950

* These reserve accounts comprise the consolidated reserves of HK\$410,407,000 (2022: HK\$404,991,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2023

	Note	2023 HK\$'000	2022 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		56,951	39,537
Adjustments for:			
Bank interest income	5	(740)	(396)
Fair value loss on investment properties	6	1,200	1,800
Write-down of inventories to net realisable value, net	6	4,703	9,143
Depreciation of property, plant and equipment	6	10,525	10,439
Depreciation of right-of-use assets	6	9,786	8,322
Fair value gain on derivative financial instruments	6	(26)	(34)
Fair value loss/(gain) on a financial asset at fair value through profit or loss	6	161	(227)
(Reversal of)/impairment of trade receivables	6	(2,367)	5,746
Gain on disposal of investment properties	6	(1,008)	(559)
Gain on disposal of property, plant and equipment	6	(37,809)	(9,984)
Finance costs	7	10,374	3,169
Share of profit of an associate		(3,353)	(1,606)
Operating cash flows before changes in working capital		48,397	65,350
Changes in working capital:			
Decrease/(increase) in:			
Inventories		(4,102)	(34,267)
Trade and bills receivables		38,089	(9,392)
Prepayments, other receivables and other assets		652	(53,240)
Increase/(decrease) in:			
Trade and bills payables		(25,747)	(5,779)
Other payables and accruals		7,341	38,058
Cash flows from operations		64,630	730
Interest paid		(10,374)	(3,169)
Income tax paid		(9,652)	(11,264)
Net cash flows from/(used in) operating activities		44,604	(13,703)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 30 June 2023

	Note	2023 HK\$'000	2022 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,785)	(21,317)
Proceeds from disposal of property, plant and equipment		64,840	18,067
Proceeds from disposal of investment properties		5,608	12,701
Dividend from an associate		408	–
Interest received		740	396
Net cash flows from investing activities		67,811	9,847
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new bank and other borrowings		324,118	815,331
Repayment of bank and other borrowings		(420,731)	(703,081)
Payment of principal portion of lease payments		(10,073)	(6,595)
Dividends paid to owners of the Company		(36,590)	(50,680)
Net cash flows (used in)/from financing activities		(143,276)	54,975
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(30,861)	51,119
Cash and cash equivalents at beginning of financial year		123,751	70,713
Cash and cash equivalents included in assets classified as held for sale		(627)	(469)
Effect of foreign exchange rate changes, net		(2,192)	2,388
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		90,071	123,751
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	90,071	125,265
Bank overdraft	25	–	(1,514)
Cash and cash equivalents as stated in the consolidated statement of cash flows		90,071	123,751

STATEMENT OF FINANCIAL POSITION

30 June 2023

	Note	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	15	76,308	76,308
CURRENT ASSETS			
Prepayments		2	2
Amounts due from subsidiaries	15	52,077	50,498
Cash and cash equivalents	22	210	311
Total current assets		52,289	50,811
CURRENT LIABILITIES			
Amount due to a subsidiary	15	2,294	2,254
Accruals	24	1,255	2,356
Total current liabilities		3,549	4,610
NET CURRENT ASSETS		48,740	46,201
Net assets		125,048	122,509
EQUITY			
Issued capital	27	21,636	21,476
Treasury shares	27	(19)	(19)
Reserves	29	103,431	101,052
Total equity		125,048	122,509

Ng Kin Wing, Raymond

Executive Director and Executive Chairman

Ng Mun Kit, Michael

Executive Director and Chief Executive Office

NOTES TO FINANCIAL STATEMENTS

30 June 2023

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 on 9th Floor, The Whitney, 183 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; provision of professional services in IT infrastructure, cloud solutions, network and security solutions (“**IT Infrastructure**”); and
- (iii) the distribution and retailing of consumer electronics products (“**Consumer Electronics Products**”).

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. They have been prepared the historical cost convention, except for investment properties, financial asset 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 reporting period. 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 (continued)

30 June 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 July 2022. The adoption of these new standards did not have any material effect on the financial performance or position of the Group and the Company.

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.

Description	Effective for annual periods beginning on or after
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1: Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENT IN AN ASSOCIATE

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 investment in an associate 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 an associate is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in an associate, 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 investment in an associate.

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

BUSINESS COMBINATIONS AND GOODWILL

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS AND GOODWILL (continued)

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 assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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

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

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

FAIR VALUE MEASUREMENT

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT (continued)

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

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

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

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

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 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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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) as significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group;

or

- (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 parent, 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.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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 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:

Properties held for own use and buildings	5%
Leasehold improvements	Over the shorter of the lease term and 20%
Furniture and fixtures	20%
Office equipment	30%
Motor vehicles	25%

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**INVESTMENT PROPERTIES**

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset 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.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for sale are not depreciated. The measurement for investment properties and financial assets are described in the accounting policy for "Investment Properties" and "Investments and other financial assets" respectively.

LEASES

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

Group as a lessee

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

(a) Right-of-use assets

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

Warehouses	Over the lease term
Office premises	Over the lease term
Other equipment	30%

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

(b) Lease liabilities

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of property (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

Group as a lessor

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

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

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

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Initial recognition and measurement (continued)

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

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

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 (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Simplified approach

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

FINANCIAL LIABILITIES

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

DE-RECOGNITION OF FINANCIAL LIABILITIES

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**OFFSETTING OF FINANCIAL INSTRUMENTS**

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

DERIVATIVE FINANCIAL INSTRUMENT

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

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

TREASURY SHARES

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

INVENTORIES

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

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits that are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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 (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROVISIONS

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

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

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

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 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.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

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

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

GOVERNMENT GRANTS

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

Revenue from contracts with customers

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

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

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

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

Volume rebates

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

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

Revenue from other sources

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

Other income

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CONTRACT ASSETS

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

CONTRACT LIABILITIES

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

CONTRACT COSTS

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

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

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset related. Other contract costs are expensed as incurred.

REFUND LIABILITIES

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EMPLOYEE BENEFITS

Share-based payments

(a) Share option scheme

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EMPLOYEE BENEFITS (continued)

Share-based payments (continued)

(a) Share option scheme (continued)

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").

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

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

Pension schemes

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EMPLOYEE BENEFITS (continued)

Pension schemes (continued)

The Singapore companies in the Group make contributions to the Central Provident Fund Scheme (“CPF”) in Singapore, a defined contribution pension scheme. Contributions to the CPF are recognised as an expense in profit or loss in the period in which the related service is performed.

Long service payments

The Group’s net obligation in respect of amounts payable on cessation of employment in certain circumstances under the Employment Ordinance in Hong Kong is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Long service payments are assessed using the projected unit credit method. The cost of providing the long service payment liabilities is charged to the profit or loss so as to spread the cost over the service lives of employees in accordance with the advice of the valuer.

Long service payments are discounted to determine the present value of obligation and reduced by entitlement accrued under the Group’s pension scheme contributions that are attributable to contributions made by the Group. Remeasurements are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

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 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.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES (continued)

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

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

The functional currencies of certain overseas and Mainland China subsidiaries and associate 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 exchange rates that approximates to those prevailing at the dates of the transactions. 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. Except as disclosed below, management is of the opinion that there is no significant judgement made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

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.

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATION UNCERTAINTY (continued)

Provision for expected credit losses on trade receivables

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

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

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

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 of electronic components and cables;
- (b) the "IT Infrastructure" operating segment engages in the provision of computer data storage management solutions and services; provision of professional services in IT infrastructure, cloud solutions, network and security solutions; 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, fair value changes on investment properties, financial asset at fair value through profit or loss and derivative financial instrument, finance costs, share of profit of an associate, and corporate and other unallocated expenses are excluded from such measurement.

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

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

There were no material intersegment sales and transfers during the current and prior years.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

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 2023				
Segment revenue	446,484	1,349,845	243,292	2,039,621
Segment results	(4,843)	28,233	4,234	27,624
<i>Reconciliation:</i>				
Bank interest income				740
Fair value loss on investment property				(1,200)
Fair value loss on a financial asset at fair value through profit or loss				(161)
Fair value gain on derivative financial instruments				26
Gain on disposal of investment property				1,008
Gain on disposal of property, plant and equipment				37,809
Finance costs				(10,374)
Share of profit of an associate				3,353
Corporate and other unallocated expenses				(1,874)
Profit before tax				56,951
Segment assets	243,345	617,928	33,379	894,652
<i>Reconciliation:</i>				
Investment in an associate				7,350
Deferred tax assets				6,212
Derivative financial instruments				8
Financial asset at fair value through profit or loss				1,284
Cash and cash equivalents				90,071
Assets classified as held for sale				71,031
Corporate and other unallocated assets				21,655
Total assets				1,092,263
Segment liabilities	45,421	374,187	53,464	473,072
<i>Reconciliation:</i>				
Tax payable				7,586
Interest-bearing bank and other borrowings				146,443
Deferred tax liabilities				7,058
Liabilities directly associated with assets classified as held for sale				1,592
Corporate and other unallocated liabilities				29,814
Total liabilities				665,565
Other segment information:				
Income tax expense				(10,852)
(Reversal of)/impairment of trade receivables	(3,594)	1,221	6	(2,367)
(Reversal of)/write down of inventories	5,575	(1,498)	626	4,703
Depreciation				20,311
Capital expenditure				3,785

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

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 2022				
Segment revenue	572,696	1,163,718	256,148	1,992,562
Segment results	3,916	21,980	8,010	33,906
<i>Reconciliation:</i>				
Bank interest income				396
Fair value loss on investment properties				(1,800)
Fair value gain on a financial asset at fair value through profit or loss				227
Fair value gain on derivative financial instruments				34
Gain on disposal of investment properties				559
Gain on disposal of property, plant and equipment				9,984
Finance costs				(3,169)
Share of profit of an associate				1,606
Corporate and other unallocated expenses				(2,206)
Profit before tax				39,537
Segment assets	318,132	584,943	51,804	954,879
<i>Reconciliation:</i>				
Investment in an associate				4,884
Deferred tax assets				7,342
Cash and cash equivalents				125,265
Assets classified as held for sale				71,615
Corporate and other unallocated assets				53,262
Total assets				1,217,247
Segment liabilities	66,403	365,326	56,852	488,581
<i>Reconciliation:</i>				
Tax payable				8,772
Interest-bearing bank and other borrowings				244,673
Deferred tax liabilities				6,925
Liabilities directly associated with assets classified as held for sale				2,262
Corporate and other unallocated liabilities				43,084
Total liabilities				794,297
Other segment information:				
Income tax expense				(20,824)
Impairment of trade receivables	5,189	555	2	5,746
Write down of inventories	6,007	2,720	416	9,143
Depreciation				18,761
Capital expenditure				21,317

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

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 2023				
Segment revenue	1,571,953	282,639	185,029	2,039,621
Non-current assets	64,846	12,837	477	78,160
Year ended 30 June 2022				
Segment revenue	1,396,780	406,657	189,125	1,992,562
Non-current assets	66,050	28,904	20,606	115,560

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

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

INFORMATION ABOUT MAJOR CUSTOMERS

The Group did not have a single external customer from whom the revenue derived amounted to 10% or more of the Group's revenue during the year (2022: Nil).

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	Group	
	2023 HK\$'000	2022 HK\$'000
Revenue from contracts with customers	2,039,621	1,992,562

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) *Disaggregated revenue information*

	Components Distribution HK\$'000	IT Infrastructure HK\$'000	Consumer Electronics Products HK\$'000	Total HK\$'000
Year ended 30 June 2023				
Types of goods or services				
Sale of goods	446,484	1,127,623	243,292	1,817,399
Provision of professional and warranty services	–	222,222	–	222,222
Total revenue from contracts with customers	446,484	1,349,845	243,292	2,039,621
Geographical markets				
Hong Kong	139,020	1,193,207	239,726	1,571,953
Mainland China	249,199	33,440	–	282,639
Others	58,265	123,198	3,566	185,029
Total revenue from contracts with customers	446,484	1,349,845	243,292	2,039,621
Timing of revenue recognition				
Goods and services transferred at a point in time	446,484	1,142,158	243,292	1,831,934
Services transferred over time	–	207,687	–	207,687
Total revenue from contracts with customers	446,484	1,349,845	243,292	2,039,621

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)**REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)***(i) Disaggregated revenue information (continued)*

	Components Distribution HK\$'000	IT Infrastructure HK\$'000	Consumer Electronics Products HK\$'000	Total HK\$'000
Year ended 30 June 2022				
Types of goods or services				
Sale of goods	572,696	942,051	256,148	1,770,895
Provision of professional and warranty services	–	221,667	–	221,667
Total revenue from contracts with customers	572,696	1,163,718	256,148	1,992,562
Geographical markets				
Hong Kong	177,733	963,941	255,106	1,396,780
Mainland China	342,738	63,919	–	406,657
Others	52,225	135,858	1,042	189,125
Total revenue from contracts with customers	572,696	1,163,718	256,148	1,992,562
Timing of revenue recognition				
Goods and services transferred at a point in time	572,696	970,360	256,148	1,799,204
Services transferred over time	–	193,358	–	193,358
Total revenue from contracts with customers	572,696	1,163,718	256,148	1,992,562

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

	2023 HK\$'000	2022 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	62,894	51,403
Provision of professional and warranty services	136,944	107,000
	199,838	158,403

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)**REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)****(ii) Performance obligations**

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

Sale of goods

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

Provision of professional and warranty services

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

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

	2023 HK\$'000	2022 HK\$'000
Amounts expected to be recognised as revenue:		
Within one year	172,735	178,699
After one year	30,228	21,139
	202,963	199,838

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

	Group	
	2023 HK\$'000	2022 HK\$'000
Other income and gains, net		
Bank interest income	740	396
Gross rental income	79	1,171
Fair value gain on a financial asset at fair value through profit or loss	–	227
Fair value gain on derivative financial instruments	26	34
Foreign exchange differences, net	165	–
Reversal of impairment of trade receivables (note 19)	2,367	–
Government subsidies*	2,720	3,411
Gain on disposal of property, plant and equipment	37,809	9,984
Gain on disposal of investment properties	1,008	559
Others	1,842	2,770
	46,756	18,552

* The subsidies mainly represent subsidies received in connection with the COVID-19 pandemic in Hong Kong, China and Singapore. There are no unfulfilled conditions relating to the subsidies.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Note	Group	
		2023 HK\$'000	2022 HK\$'000
Cost of inventories sold		1,745,516	1,700,541
Cost of services provided		116,846	106,253
Write-down of inventories to net realisable value, net	18	4,703	9,143
Depreciation of property, plant and equipment	11	10,525	10,439
Depreciation of right-of-use assets	13	9,786	8,322
Fair value loss on investment properties	12, 23	1,200	1,800
Fair value loss on a financial asset at fair value through profit or loss*		161	–
Foreign exchange differences, net		–	897
Impairment of trade receivables*	19	–	5,746
Lease payments not included in the measurement of lease liabilities	13(c)	1,899	2,070
Auditors' remuneration:			
Audit fee paid to the auditor of the Company		2,163	1,879
Audit fee paid to other auditors		147	143
Non-audit fees paid to the auditor of the Company		331	242
Non-audit fees paid to other auditors		12	7
Employee benefit expense (including directors' remuneration (note 32(b)):			
Wages and salaries		118,110	109,444
Pension scheme contributions		9,836	7,502
Share-based payments		3,210	–
		131,156	116,946

* Included in "Other expenses, net"

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

7. FINANCE COSTS

	Group	
	2023	2022
	HK\$'000	HK\$'000
Interest on bank and other borrowings	10,004	2,829
Interest on lease liabilities	370	340
	10,374	3,169

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2021/2022. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Group	
	2023	2022
	HK\$'000	HK\$'000
Current		
Charge for the year	7,669	14,088
Under/(over) provision in prior years	1,363	(3)
	9,032	14,085
Deferred (note 26)	1,820	6,739
Total tax expense for the year	10,852	20,824

New Spirit Electronic Technology Development (Shenzhen) Company Limited, a wholly-owned subsidiary of the Group, was subject to a preferential tax rate of 15% (2022: 15%) as it was designated as a high technology enterprise for the years ended 30 June 2023 and 2022.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

8. INCOME TAX EXPENSE (continued)

A reconciliation between tax expense and the product of accounting profit at the statutory tax rate of Hong Kong is as follows:

	Group	
	2023 HK\$'000	2022 HK\$'000
Profit before tax	56,951	39,537
Tax at the statutory rate of Hong Kong of 16.5% (2022: 16.5%)	9,397	6,524
Effect of different tax rates in other jurisdictions	(1,807)	(91)
Adjustments in respect of current tax of previous periods	1,363	(3)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	1,598	5,562
Income not subject to tax	(1,316)	(627)
Expenses not deductible for tax	860	697
Tax losses utilised from previous periods	(947)	(1,167)
Tax losses not recognised	1,594	3,611
Profit attributable to an associate	(553)	(265)
Others	663	6,583
Income tax expense	10,852	20,824

9. DIVIDENDS

	Group and Company	
	2022 HK\$'000	2021 HK\$'000
Interim dividend — HK\$0.052 (2022: HK\$0.128) per ordinary share	11,250	27,487
Proposed final dividend — HK\$0.15 (2022: HK\$0.118) per ordinary share	32,452	25,340
	43,702	52,827

The proposed final dividend for the year ended 30 June 2022 was approved by the Company's shareholders at the annual general meeting held during the current financial year on 27 October 2022.

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

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

The calculation of the basic earnings per share amounts for the years ended 30 June 2023 and 2022 is based on the profit attributable to the ordinary shareholders of the Company for the respective years, and the weighted average number of ordinary shares of 215,528,000 and 214,748,000 in issue, respectively, which has taken into account the effect of treasury shares.

The Group has no potentially dilutive ordinary shares in issue during the years ended 30 June 2023 and 2022.

11. PROPERTY, PLANT AND EQUIPMENT

	Properties held for own use and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Group						
30 June 2023						
At 1 July 2022:						
Cost	67,339	21,577	4,396	27,010	5,244	125,566
Accumulated depreciation	(29,486)	(10,562)	(3,600)	(22,196)	(3,660)	(69,504)
Net carrying amount	37,853	11,015	796	4,814	1,584	56,062
At 1 July 2022, net carrying amount	37,853	11,015	796	4,814	1,584	56,062
Additions	-	2,316	414	636	419	3,785
Reclassification to assets classified as held for sale (note 23)	-	(21)	-	-	-	(21)
Disposal	(26,678)	-	(267)	(86)	-	(27,031)
Depreciation charge	(1,711)	(6,188)	(284)	(1,798)	(544)	(10,525)
Exchange realignment	(1,308)	(15)	(49)	(124)	(23)	(1,519)
At 30 June 2023, net carrying amount	8,156	7,107	610	3,442	1,436	20,751
At 30 June 2023:						
Cost	13,197	20,553	1,702	26,638	4,846	66,936
Accumulated depreciation	(5,041)	(13,446)	(1,092)	(23,196)	(3,410)	(46,185)
Net carrying amount	8,156	7,107	610	3,442	1,436	20,751

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Properties held for own use and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Group						
30 June 2022						
At 1 July 2021:						
Cost	86,191	8,430	4,105	24,121	4,446	127,293
Accumulated depreciation	(35,626)	(8,262)	(3,488)	(21,185)	(4,255)	(72,816)
Net carrying amount	50,565	168	617	2,936	191	54,477
At 1 July 2021, net carrying amount	50,565	168	617	2,936	191	54,477
Additions	–	15,284	371	3,713	1,949	21,317
Reclassification to assets classified as held for sale (note 23)	–	(16)	–	–	–	(16)
Disposal	(7,909)	–	–	(22)	(152)	(8,083)
Depreciation charge	(3,649)	(4,423)	(183)	(1,781)	(403)	(10,439)
Exchange realignment	(1,154)	2	(9)	(32)	(1)	(1,194)
At 30 June 2022, net carrying amount	37,853	11,015	796	4,814	1,584	56,062
At 30 June 2022:						
Cost	67,339	21,577	4,396	27,010	5,244	125,566
Accumulated depreciation	(29,486)	(10,562)	(3,600)	(22,196)	(3,660)	(69,504)
Net carrying amount	37,853	11,015	796	4,814	1,584	56,062

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

12. INVESTMENT PROPERTIES

	Group	
	2023	2022
	HK\$'000	HK\$'000
Carrying amount at beginning of financial year	4,506	16,692
Disposal	(4,600)	(12,142)
Net loss from fair value adjustments recognised in profit or loss	–	–
Exchange realignment	94	(44)
Carrying amount at end of financial year	–	4,506

The Group's investment properties are a commercial property in Hong Kong that has been classified as "Assets classified as held for sale" as at 30 June 2023, 30 June 2022 and 1 July 2021 (note 23) and an industrial property in Singapore that was disposed of during the year. The properties were leased to third parties under operating leases during the year, further summary details of which are included in note 13 to the financial statements.

At 30 June 2023, the Group's sole investment property in Hong Kong was revalued by BMI Appraisals Limited, independent professionally qualified valuers, using the direct comparison method.

Fair value hierarchy

At the end of the reporting period, fair value measurements 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 (2022: Nil).

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

12. INVESTMENT PROPERTIES (continued)**Fair value hierarchy (continued)**

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

	Commercial properties HK\$'000	Industrial property HK\$'000
Carrying amount at 1 July 2021	12,075	4,617
Disposal	(12,142)	–
Exchange realignment	67	(111)
Carrying amount at 30 June 2022 and 1 July 2022	–	4,506
Disposal	–	(4,600)
Exchange realignment	–	94
Carrying amount at 30 June 2023	–	–

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	
		2023	2022
Commercial property			
<i>Property located in Hong Kong#</i>			
Direct comparison method	Price per square feet (sqf)	HK\$5,976 to HK\$7,619 per sqf	HK\$6,610 to HK\$7,940 per sqf
Industrial property			
<i>Property located in Singapore</i>			
Direct comparison method	Price per square feet (sqf)	N/A	\$455 per sqf

Classified as "Assets classified as held for sale" as at 30 June 2023 and 30 June 2022 (note 23)

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.

A significant increase/(decrease) in price per square feet based on management's assumptions would result in a significantly higher/(lower) fair value measurement.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

13. LEASES**THE GROUP AS A LESSEE**

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

(a) Right-of-use assets

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

	Warehouses HK\$'000	Office premises HK\$'000	Other equipment HK\$'000	Total HK\$'000
As at 1 July 2021	–	2,295	157	2,452
Additions	810	25,192	–	26,002
Depreciation charge	(93)	(8,085)	(144)	(8,322)
Exchange realignment	3	20	–	23
As at 30 June 2022 and 1 July 2022	720	19,422	13	20,155
Additions	492	326	–	818
Depreciation charge	(340)	(9,433)	(13)	(9,786)
Exchange realignment	(62)	(300)	–	(362)
As at 30 June 2023	810	10,015	–	10,825

(b) Lease liabilities

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

	2023 HK\$'000	2022 HK\$'000
Carrying amount at beginning of financial year	20,673	2,643
Additions	816	24,609
Accretion of interest	370	340
Payments	(10,443)	(6,935)
Exchange realignment	(309)	16
Carrying amount at end of financial year	11,107	20,673
Analysed as:		
Current portion	9,434	10,026
Non-current portion	1,673	10,647

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

13. LEASES (continued)**THE GROUP AS A LESSEE (continued)**(c) *The amount recognised in profit or loss in relation to leases are as follows:*

	2023 HK\$'000	2022 HK\$'000
Interest on lease liabilities	370	340
Depreciation charge of right-of-use assets	9,786	8,322
Expense relating to short-term leases (included in administrative expenses)	1,899	2,070
Total amount recognised in profit or loss	12,055	10,732

THE GROUP AS A LESSOR

The Group leases its investment properties (note 12) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK\$79,000 (2022: HK\$1,171,000).

At 30 June 2023, the undiscounted minimum lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	–	47

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

14. GOODWILL

	Group	
	2023	2022
	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

IMPAIRMENT ASSESSMENT

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

- Components Distribution
- IT Infrastructure

The recoverable amounts of these cash-generating units have been determined based on a value in use calculation using cash flow projections which are based on financial budgets approved by management covering a period of five years and cash flows for the following years are extrapolated based on an estimated average growth rate of 3% (2022: 3%) per annum. The discount rate applied to cash flow projections is 9% (2022: 9%).

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:

	2023	2022
	HK\$'000	HK\$'000
Components Distribution	1,901	1,901
IT Infrastructure	197	197
	2,098	2,098

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

14. GOODWILL (continued)**IMPAIRMENT ASSESSMENT (continued)**

Assumptions were used in the value in use calculation of the relevant cash-generating units for 30 June 2023 and 2022. 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 (2022: Nil).

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2023 HK\$'000	2022 HK\$'000
Unlisted shares, at cost	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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

15. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Particulars of the significant investments in subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Principal activities	Proportion (%) of ownership interest	
			2023	2022
Held by the Company				
Karin Electronic Supplies Company Limited ⁽¹⁾	Hong Kong	Distribution and trading of electronic components and provision of computer data storage management solutions and services	100	100
New Spirit Technology Limited ⁽¹⁾	Hong Kong	Provision of integrated circuit application design solutions	100	100
Kepto Solutions Limited ⁽¹⁾	Hong Kong	Provision of computer data storage management solutions and services	100	100
Sen Spirit Technology Limited ⁽¹⁾	Hong Kong	Distribution of computer products and peripherals	100	100
Compucon Computers Limited ⁽¹⁾	Hong Kong	Trading of electronics products and peripherals and provision of software products and solutions	100	100
Karin Solutions and Services Limited ⁽¹⁾	Hong Kong	Provision of professional consulting services	100	100
Compusmart Limited ⁽¹⁾	British Virgin Islands/Hong Kong	Property holding	100	100
Karsing Pte Ltd ⁽⁴⁾	Singapore	Provision of computer data storage management solutions and services	100	100
KCF A Store Limited ⁽¹⁾	Hong Kong	Distribution of electronic products and accessories	80	80
Kagile Solutions Limited ⁽¹⁾	Hong Kong	Provision of software application products for corporate clients	70	70
Kepto (Macau) Company Limited ⁽¹⁾	Macau	Provision of computer data storage management solutions and services	100	100
Held through subsidiaries				
Karin Electronic Trading (Shenzhen) Company Limited* ⁽²⁾	The People's Republic of China	Trading of electronic components, computer products and peripherals	100	100
Karin International Trading (Shanghai) Company Limited* ⁽³⁾	The People's Republic of China	Trading of electronic components, computer products and peripherals	100	100
New Spirit Electronic Technology Development (Shenzhen) Company Limited* ⁽²⁾	The People's Republic of China	Provision of IC software application design	100	100
Karltec Information System (Shenzhen) Company Limited ⁽²⁾	The People's Republic of China	Distribution of computer products and peripherals	75	75

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

⁽¹⁾ Audited by a member firm of EY Global⁽²⁾ Audited by Wongga Partners Certified Public Accountants (SZ) General Partner⁽³⁾ Audited by Shanghai Jialiang CPAs Limited⁽⁴⁾ Audited by HLB Atrede LLP

For purposes of the consolidated financial statements, the above subsidiaries except for Karsing Pte Ltd are audited by a member firm of EY Global.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

15. INVESTMENTS IN SUBSIDIARIES (continued)

- (b) The balances with subsidiaries are unsecured, interest-free, repayable on demand and to be settled in cash. The carrying amounts of the balances approximate 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.

16. INVESTMENT IN AN ASSOCIATE

	Group	
	2023	2022
	HK\$'000	HK\$'000
Share of net assets	7,350	4,884

- (a) Particulars of the associate are as follows:

Name	Place of incorporation/ registration and operations	Principal activities	Proportion (%) of ownership interest	
			2023	2022
<i>Held through subsidiary</i>				
Shanghai Cosel International Trading Co., Ltd. ("SCIT") ⁽¹⁾	The People's Republic of China	Trading of switch mode power supplies and provision of consulting services	30	30

The Group's voting power held and profit sharing arrangement in relation to SCIT are 30% (2022: 30%).

⁽¹⁾ Audited by Shanghai HDDY Certified Public Accountants Co., Ltd

For purposes of the consolidated financial statements, the associate is audited by a member firm of EY Global.

- (b) SCIT is considered as 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:

	2023	2022
	HK\$'000	HK\$'000
Current assets	46,647	33,208
Non-current assets	50	55
Current liabilities	(22,197)	(16,985)
Net assets	24,500	16,278
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	30%	30%
Group's share of net assets of the associate and carrying amount of the investment	7,350	4,884
Revenue	155,451	125,745
Profit and total comprehensive income for the year	11,177	5,352
Dividend received	408	-

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2023 HK\$'000	2022 HK\$'000
Current		
Unlisted equity investment:		
Carrying amount at beginning of year	1,445	1,218
Net (loss)/gain from a fair value adjustment recognised in profit or loss	(161)	227
Carrying amount at end of year	1,284	1,445

On 25 June 2015, the Group entered into an investment agreement with an independent third party (the "Investee"), pursuant to which the Group invested in a product development project undertaken by the Investee (the "Project") at an initial investment cost of HK\$2 million.

During the year ended 30 June 2023, the Group recognised a fair value loss on the investment in the Project amounting to HK\$161,000 (2022: fair value gain of HK\$227,000).

FAIR VALUE HIERARCHY

At the end of the reporting period, 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 (2022: Nil).

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

	Valuation technique	Significant unobservable input	Rate	Sensitivity of fair value to inputs
Unlisted equity investment	Income approach	Discount rate	8.74% (2022: 8.02%)	When the discount rate increase by 50 (2022: 50) basis points, the fair value will decrease by HK\$69,000 (2022: HK\$85,000). When the discount rate decrease by 50 (2022: 50) basis points, the fair value will increase by HK\$78,000 (2022: HK\$96,000).

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

18. INVENTORIES

	Group	
	2023	2022
	HK\$'000	HK\$'000
Trading inventories	258,013	258,217
Consolidated statement of profit or loss and comprehensive income		
Inventories recognised as an expense in cost of sales	1,750,219	1,709,684
Inclusive of the following charge/(credit):		
– Inventories written down	7,473	10,095
– Reversal of write-down of inventories	(2,770)	(952)

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts.

19. TRADE AND BILLS RECEIVABLES

	Group	
	2023	2022
	HK\$'000	HK\$'000
Trade receivables	413,960	452,152
Less: Impairment of trade receivables	(9,957)	(12,285)
	404,003	439,867
Bills receivables	12,009	15,194
	416,012	455,061

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

The movements in the loss allowance of trade receivables are as follows:

	Group	
	2023	2022
	HK\$'000	HK\$'000
At beginning of financial year	12,285	7,571
(Reversal of)/impairment of trade receivables (note 5, 6)	(2,367)	5,746
Amount written off as uncollectible	–	(633)
Exchange realignment	39	(399)
At end of financial year	9,957	12,285

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

19. TRADE AND BILLS RECEIVABLES (continued)

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

As at 30 June 2023

	Current	Past due			Total
		Less than 1 month	1 to 3 months	Over 3 months	
Expected credit loss rate	0.05%	0.13%	0.52%	38.9%	2.41%
Gross carrying amount (HK\$'000)	265,819	61,986	61,938	24,217	413,960
Expected credit losses (HK\$'000)	141	81	320	9,415	9,957

As at 30 June 2022

	Current	Past due			Total
		Less than 1 month	1 to 3 months	Over 3 months	
Expected credit loss rate	0.06%	0.14%	0.50%	59.7%	2.72%
Gross carrying amount (HK\$'000)	316,724	67,665	48,070	19,693	452,152
Expected credit losses (HK\$'000)	196	94	243	11,752	12,285

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Group	
	2023 HK\$'000	2022 HK\$'000
Prepayments	190,057	188,241
Contract assets	11,549	15,794
Deposits	4,274	4,384
Other receivables	2,728	2,178
	208,608	210,597
Analysed as:		
Current portion	171,472	182,742
Non-current portion	37,136	27,855

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

(a) Contract assets

	30 June 2023 HK\$'000	30 June 2022 HK\$'000	1 July 2021 HK\$'000
Contract assets arising from:			
IT infrastructure	11,549	15,794	5,972

Contract assets are initially recognised for revenue earned from the IT infrastructure as the receipt of consideration is based on the billing process. Included in contract assets for IT infrastructure are unbilled amounts of revenue. Upon completion of the billing of the revenue from the contract customer, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets in 2023 and the increase in contract assets in 2022 were the result of the respective decrease/increase in the ongoing sale of IT infrastructure at the end of each reporting period.

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

	Group	
	2023 HK\$'000	2022 HK\$'000
Within one year	3,368	7,955
After one year	8,181	7,839
Total contract assets	11,549	15,794

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Group has entered into various forward currency contracts to manage its exchange rate exposures. 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 13).

	2023		2022	
	Contract/ Notional amount HK\$'000	Assets/ (Liabilities) HK\$'000	Contract/ Notional amount HK\$'000	Assets/ (Liabilities) HK\$'000
Forward currency contracts	7,994	8	17,603	(18)

The Group recognised a fair value gain on derivative financial instruments of HK\$26,000 (2022: HK\$34,000) for the year.

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 (2022: Nil).

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Cash and bank balances	90,071	125,265	210	311

At 30 June 2023, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$14,128,000 (2022: HK\$14,550,000). 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 banks with no recent history of default.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

23. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

Compusmart Limited (“**Compusmart**”) is a wholly-owned subsidiary of the Company, which was incorporated in the British Virgin Islands with limited liability and engaged in property holding. As at 30 June 2023, the Group has been actively locating potential independent third party purchasers on the possible disposal of Karin Building through the transfer of equity interest in Compusmart. Accordingly, the assets and liabilities of Compusmart were classified as assets and liabilities held for sale and are presented separately in the consolidated statement of financial position as at 30 June 2023. The major classes of assets and liabilities classified as held for sale as at 30 June 2023 were as follows:

	Note	Group	
		2023 HK\$'000	2022 HK\$'000
Property, plant and equipment		44,479	44,458
Investment property		24,900	26,100
Prepayments, deposits and other receivables		287	319
Cash and cash equivalents		1,365	738
Total assets classified as held for sale		71,031	71,615
Other payables and accruals		106	268
Tax payable		133	664
Deferred tax liabilities	26	1,353	1,330
Total liabilities directly associated with assets classified as held for sale		1,592	2,262
Net assets		69,439	69,353

During the year, the Group recognised a fair value loss on the investment property of HK\$1,200,000 (2022: HK\$1,800,000).

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

24. TRADE AND BILLS PAYABLES, OTHER PAYABLES AND ACCRUALS

	Note	Group		Company	
		2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Trade and bills payables		249,750	276,827	–	–
Contract liabilities	(a)	202,963	199,838	–	–
Refund liabilities		487	487	–	–
Dividend payable		612	–	–	–
Other payables		13,782	12,195	–	–
Accruals		24,248	21,793	1,255	2,356
Other payables and accruals	(b)	242,092	234,313	1,255	2,356
		491,842	511,140	1,255	2,356
Analysed as:					
Current portion included in trade and bills payables, other payables and accruals		459,418	490,000	1,255	2,356
Non-current portion		32,424	21,140	–	–

Trade and bills payables and other payables are non-interest bearing and are normally settled on terms of 30 to 60 days except for an amount of HK\$7,967,000 (2022: Nil) which bears interest at 4.3% per annum and is to be settled within one year.

(a) Contract liabilities

	30 June 2023 HK\$'000	30 June 2022 HK\$'000	1 July 2021 HK\$'000
<i>Advances received from customers</i>			
Sales of goods	47,546	62,894	51,403
Provision of professional and warranty services	155,417	136,944	107,000
IT infrastructure	202,963	199,838	158,403

Contract liabilities include advances received to sell the goods and render professional and warranty services. The increase in contract liabilities in 2023 and 2022 was mainly due to the increase in advances received from customers in relation to provision of professional and warranty services at the end of each reporting period.

(b) Other payables and accruals

In June 2022, the Government of the Hong Kong Special Administrative Region (the "HKSAR") enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022. The amendment will come into effect prospectively from a date in 2025 to be appointed by the Government of the HKSAR ("Transition Date"), under which the accrued benefits attributable to the employers' mandatory contributions under the MPF scheme would no longer be eligible to offset against the long service payment accrued from the Transition Date. The retirement benefit obligation arising from long service payments has been remeasured accordingly and the impact is reflected as past service cost for the year. Provision for long service payment in the amount of HK\$2,206,000 (2022: Nil) was included in other payables and accruals as at 30 June 2023.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023		2022	
	Maturity	HK\$'000	Maturity	HK\$'000
Current				
Lease liabilities (note 13(b))	2024	63	2022	103
Bank loans, unsecured	2023	146,380	2022	242,993
Bank overdraft	–	–	On demand	1,514
		146,443		244,610
Non-current				
Lease liabilities (note 13(b))	–	–	2024	63
		146,443		244,673

The Group's bank loans bear interest at floating rates ranging from 1.6% to 6.0% (2022: 0.9% to 1.7%) per annum.

The bank and other borrowings of the Group as at 30 June 2023 were denominated in Hong Kong dollars (2022: Hong Kong dollars, United States dollars and Singapore dollars). At 30 June 2023, bank borrowings of HK\$146,380,000 (2022: HK\$244,507,000) were covered by corporate guarantees given by the Company and certain subsidiaries.

26. DEFERRED TAX

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

	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	Withholding taxes HK\$'000	Total HK\$'000
At 1 July 2021		1,677	6,583	(1,322)	–	6,938
Deferred tax credit/(charge) to profit or loss	8	1,806	(1,735)	572	(7,382)	(6,739)
Reclassification to liabilities directly associated with assets classified as held for sale		–	–	(25)	–	(25)
Exchange realignment		22	–	(6)	227	243
At 30 June 2022 and at 1 July 2022		3,505	4,848	(781)	(7,155)	417
Deferred tax credit/(charge) to profit or loss	8	193	(2,073)	839	(779)	(1,820)
Reclassification to liabilities directly associated with assets classified as held for sale		–	–	23	–	23
Exchange realignment		9	–	–	525	534
At 30 June 2023		3,707	2,775	81	(7,409)	(846)

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

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 balances of the Group for financial reporting purposes:

	2023 HK\$'000	2022 HK\$'000
Deferred tax assets	6,212	7,342
Deferred tax liabilities	(7,058)	(6,925)
Net deferred tax (liabilities)/assets	(846)	417

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 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 2023, deferred tax liabilities of HK\$7,409,000 (2022: HK\$7,382,000) 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.

At 30 June 2023, deferred tax assets have not been recognised in respect of unused tax losses of HK\$47,393,000 (2022: HK\$51,307,000) 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\$4,335,000 (2022: HK\$10,117,000) will expire in five years.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

27. SHARE CAPITAL**(I) SHARES**

	Group and Company	
	2023	2022
	HK\$'000	HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	1,000,000
Issued and fully paid:		
216,360,000 (2022: 214,760,000) ordinary shares of HK\$0.1 each	21,636	21,476

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 July 2021, 30 June 2022 and 1 July 2022	214,760,000	21,476	45,885	67,361
Shares issued	1,600,000	160	3,050	3,210
At 30 June 2023	216,360,000	21,636	48,935	70,571

On 4 January 2023, pursuant to Karin Performance Share Plan, 1,600,000 shares were granted and issued to independent directors (600,000 shares) and executives (1,000,000 shares) of the Company.

(II) TREASURY SHARES

	Group and Company	
	Number of shares	Amount HK\$'000
At 1 July 2021, 30 June 2022, 1 July 2022 and 30 June 2023	12,000	19

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

28. SHARE OPTION SCHEMES AND SHARE PERFORMANCE PLAN

(a) 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 (“**AGM**”) 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, all share options granted have either been exercised or lapsed and no further share options will be granted under the 2005 ESOS. Since the adoption of the 2014 ESOS, no share option was granted pursuant to the 2014 ESOS.

The 2014 ESOS has a maximum duration of ten years and will expire on 9 October 2024.

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

28. SHARE OPTION SCHEMES AND SHARE PERFORMANCE PLAN (continued)

(b) Performance share plan

The Company operates the 2010 Karin Performance Share Plan (the “**2010 KPSP**”) for the purpose of promoting higher performance goals and recognising exceptional achievement. Eligible participants of the 2010 KPSP include the Company’s directors, including independent directors, and other employees of the Group (the “**Selected Employee**”).

When a Selected Employee has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the 2010 KPSP and becomes entitled to the shares of the Company forming the subject of the 2010 KPSP.

The 2010 KPSP was expired on 21 October 2020 and no shares have been granted as of that date. At the annual general meeting held on 23 October 2020, the 2020 Karin Performance Share Plan (the “**2020 KPSP**”) has been adopted, subject to a maximum period of 10 years commencing on 23 October 2020. There is no material difference between the terms of the 2010 KPSP and the 2020 KPSP.

The fair value of the share granted will be based on the market value of the Company’s shares at the grant date.

As of 30 June 2022, no shares have been granted under the 2020 KPSP. During the year ended 30 June 2023, 1,600,000 shares were granted and issued to independent directors (600,000 shares) and executives (1,000,000 shares) of the Company. The Group recognised an equity-settled share-based payments expense of HK\$3,210,000.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

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.

Contributed surplus

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, pursuant to a group restructuring completed in prior years.

General reserve

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.

Other reserve

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

	Note	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 July 2021		45,885	36,311	19,505	101,701
Profit for the year and total comprehensive income for the year		-	-	50,031	50,031
Final 2021 dividend paid		-	-	(23,193)	(23,193)
Interim 2022 dividend paid	9	-	-	(27,487)	(27,487)
At 30 June 2022 and at 1 July 2022		45,885	36,311	18,856	101,052
Profit for the year and total comprehensive income for the year		-	-	35,919	35,919
Issue of shares		3,050	-	-	3,050
Final 2022 dividend paid	9	-	-	(25,340)	(25,340)
Interim 2023 dividend paid	9	-	-	(11,250)	(11,250)
At 30 June 2023		48,935	36,311	18,185	103,431

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**(a) MAJOR NON-CASH TRANSACTIONS**

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$818,000 (2022: HK\$26,002,000) and HK\$816,000 (2022: HK\$24,609,000), respectively, in respect of lease arrangements for office premises and warehouses.

(b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank loans HK\$'000	Lease liabilities HK\$'000
At 1 July 2021	130,743	2,643
Changes from financing cash flows	112,250	(6,595)
New leases	–	24,609
Exchange realignment	–	16
Interest expense	–	340
Interest paid classified as operating cash flows	–	(340)
	242,993	20,673
At 30 June 2022 and 1 July 2022	(96,613)	(10,073)
New leases	–	816
Exchange realignment	–	(309)
Interest expense	–	370
Interest paid classified as operating cash flows	–	(370)
	146,380	11,107
At 30 June 2023	146,380	11,107

(c) TOTAL CASH OUTFLOW FOR LEASES

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

	2023 HK\$'000	2022 HK\$'000
Within operating activities	2,269	2,410
Within financing activities	10,073	6,595
	12,342	9,005

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

31. CONTINGENT LIABILITIES

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

	Group		Company	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	–	–	855,000	700,000
Guarantees given to suppliers in connection with credit facilities granted to subsidiaries	–	–	711,177	711,177
	–	–	1,566,177	1,411,177

As at 30 June 2023, the guarantees given to banks and suppliers by the Company and certain subsidiaries in connection with facilities granted to the Group were utilised to the extent of approximately HK\$146,380,000 (2022: HK\$244,507,000) and HK\$129,200,000 (2022: HK\$120,336,000) respectively.

32. 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

	Group	
	2023 HK\$'000	2022 HK\$'000
Fees	861	860
Other emoluments	5,483	5,885
Share-based payments	1,204	–
	7,548	6,745

(c) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP (INCLUDING DIRECTORS' REMUNERATION)

	Group	
	2023 HK\$'000	2022 HK\$'000
Fees	861	860
Short term employee benefits	15,091	17,516
Post-employment benefits	208	144
Share-based payments	2,097	–
	18,257	18,520

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 (continued)

30 June 2023

33. 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:

30 JUNE 2023

	Group			Company
	Financial assets at fair value through profit or loss HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000	Financial assets at amortised cost HK\$'000
Financial assets				
Trade and bills payables	–	416,012	416,012	–
Financial assets included in prepayments, other receivables and other assets	–	7,002	7,002	–
Financial asset at fair value through profit or loss	1,284	–	1,284	–
Derivative financial instruments	8	–	8	–
Amounts due from subsidiaries	–	–	–	52,077
Cash and cash equivalents	–	90,071	90,071	210
	1,292	513,085	514,377	52,287

	Group			Company
	Financial liabilities at fair value through profit or loss HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000	Financial liabilities at amortised cost HK\$'000
Financial liabilities				
Trade and bills payables	–	249,750	249,750	–
Financial liabilities included in other payables and accruals	–	15,359	15,359	544
Interest-bearing bank and other borrowings other than lease liabilities	–	146,380	146,380	–
Amount due to a subsidiary	–	–	–	2,294
	–	411,489	411,489	2,838

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

30 JUNE 2022

	Group			Company
	Financial assets at fair value through profit or loss HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000	Financial assets at amortised cost HK\$'000

Financial assets

Trade and bills receivables	–	455,061	455,061	–
Financial assets included in prepayments, other receivables and other assets	–	6,562	6,562	–
Financial asset at fair value through profit or loss	1,445	–	1,445	–
Amounts due from subsidiaries	–	–	–	50,498
Cash and cash equivalents	–	125,265	125,265	311
	1,445	586,888	588,333	50,809

	Group			Company
	Financial liabilities at fair value through profit or loss HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000	Financial liabilities at amortised cost HK\$'000

Financial liabilities

Trade and bills payables	–	276,827	276,827	–
Financial liabilities included in other payables and accruals	–	17,895	17,895	286
Interest-bearing bank and other borrowings other than lease liabilities	–	244,507	244,507	–
Derivative financial instruments	18	–	18	–
Amount due to a subsidiary	–	–	–	2,254
	18	539,229	539,247	2,540

The carrying amounts of the Group's financial instruments approximate their fair values.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

34. 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 and bills receivables, financial assets included in prepayments, other receivables and other assets, financial asset at fair value through profit or loss, trade and other payables, financial liabilities included in other payables and accruals, and derivative financial instruments which arise directly from its operations.

It is, and has been throughout the current and previous financial year, 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 and borrowings.

At the end of the reporting period, if interest rates had been 50 (2022: 50) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been HK\$732,000 (2022: HK\$1,223,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate bank loans.

(b) FOREIGN CURRENCY RISK

The Group's exposure to market risk for changes in foreign currency exchange rate relates primarily to trade receivables, trade payables and bank balances denominated in currencies other than the units' functional currencies, primarily United States dollar ("US\$"). The Group uses foreign currency forward contracts to reduce its foreign currency risk, but does not apply hedge accounting. Further details of the forward currency contracts are set out in note 21 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(b) FOREIGN CURRENCY RISK (continued)**

The Group's exposure to foreign currency is as follows:

	Group 2023 US\$ HK\$'000	2022 US\$ HK\$'000
Financial assets:		
Trade and bills receivables	202,057	216,428
Cash and cash equivalents	31,104	42,788
Financial liabilities:		
Trade and bills payables	(118,350)	(151,660)
Net financial assets	114,811	107,556

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the US\$ exchange rate against the respective functional currencies of the Group entities, with all other variables held constant.

	Group 2023 US\$ Increase/(decrease) profit before tax HK\$'000	2022 US\$ HK\$'000
US\$/HK\$		
– strengthened 1% (2022: 1%)	1,148	1,076
– weakened 1% (2022: 1%)	(1,148)	(1,076)

(c) CREDIT RISK

The Group and Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, and the guarantees disclosed in note 31.

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.

Maximum exposure and year-end staging

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(c) CREDIT RISK (continued)****30 June 2023**

	12-month ECLs		Lifetime ECLs		Total HK\$'000
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Trade receivables*	-	-	-	413,960	413,960
Bills receivables**	12,009	-	-	-	12,009
Contract assets*	-	-	-	11,549	11,549
Financial assets included in prepayments, other receivables and other assets					
– Normal**	7,002	-	-	-	7,002
Cash and cash equivalents – Not yet past due	90,071	-	-	-	90,071
	109,082	-	-	425,509	534,591

30 June 2022

	12-month ECLs		Lifetime ECLs		Total HK\$'000
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Trade receivables*	-	-	-	452,152	452,152
Bills receivables**	15,194	-	-	-	15,194
Contract assets*	-	-	-	15,794	15,794
Financial assets included in prepayments, other receivables and other assets					
– Normal**	6,562	-	-	-	6,562
Cash and cash equivalents – Not yet past due	125,265	-	-	-	125,265
	147,021	-	-	467,946	614,967

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 19 and 20 to the financial statements, respectively.

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

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(d) LIQUIDITY RISK**

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

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

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

	2023				Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	
Trade and bills payables	-	249,750	-	-	249,750
Financial liabilities included in other payables and accruals	-	-	15,359	-	15,359
Interest-bearing bank and other borrowings other than lease liabilities	-	146,380	-	-	146,380
Lease liabilities	-	2,477	7,131	1,698	11,306
	-	398,607	22,490	1,698	422,795

	2022				Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	
Trade and bills payables	-	276,827	-	-	276,827
Financial liabilities included in other payables and accruals	-	-	17,895	-	17,895
Interest-bearing bank and other borrowings other than lease liabilities	1,514	242,993	-	-	244,507
Derivative financial instruments	-	18	-	-	18
Lease liabilities	-	2,652	7,676	10,788	21,116
	1,514	522,490	25,571	10,788	560,363

The Company's financial liabilities as at 30 June 2023, based on the contractual undiscounted payments, of approximately HK\$2,838,000 (2022: HK\$2,540,000) would mature within one year. Further details of the financial liabilities of the Company are set out in note 33 to the financial statements. The balances due within one year from the end of the reporting period approximate 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 2023, the Company had guarantees given to banks and suppliers in connection with facilities granted to subsidiaries which were utilised as to an aggregate of HK\$275,580,000 (2022: HK\$364,843,000) and repayable on demand, further details of which are disclosed in note 31 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

30 June 2023

34. 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 2023 and 2022.

The Group monitors its capital using a gearing ratio, which is interest-bearing bank and other borrowings 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	
	2023 HK\$'000	2022 HK\$'000
Interest-bearing bank and other borrowings	146,443	244,673
Total equity	426,698	422,950
Gearing ratio	0.34	0.58

35. EVENT AFTER THE REPORTING PERIOD

On 5 July 2023, a subsidiary, Karin Technology (BVI) Limited ("KTBVI") entered into a share subscription agreement to subscribe for 40% of the issued share capital of Infodeck Technology Pte Ltd ("ITPL"), a company incorporated in Singapore for a cash consideration of SGD40,000. The transaction has been completed on 19 July 2023.

In addition, KTBVI has also entered into an option agreement with ITPL and its 60% shareholder for the option to subscribe for such additional number of shares in ITPL representing 51% of the enlarged issued share capital on the terms of the option agreement.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 September 2023.

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				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
REVENUE	2,039,621	1,992,562	1,875,571	1,766,383	1,800,564
Cost of sales	(1,867,065)	(1,815,937)	(1,701,935)	(1,620,578)	(1,620,818)
Gross profit	172,556	176,625	173,636	145,805	179,746
Other income and gains, net	46,756	18,552	16,126	9,143	7,067
Selling and distribution costs	(75,863)	(68,795)	(76,566)	(66,268)	(74,925)
Administrative expenses	(78,108)	(76,839)	(67,246)	(62,574)	(68,356)
Other expenses, net	(1,369)	(8,443)	(7,623)	(16,061)	(2,837)
Finance costs	(10,374)	(3,169)	(1,393)	(3,099)	(4,827)
Share of profits of associates	3,353	1,606	162	993	956
PROFIT BEFORE TAX	56,951	39,537	37,096	7,939	36,824
Income tax expense	(10,852)	(20,824)	(6,035)	(2,931)	(4,510)
PROFIT FOR THE YEAR	46,099	18,713	31,061	5,008	32,314
Profit for the year attributable to:					
Owners of the Company	46,965	20,418	32,435	4,800	32,304
Non-controlling interests	(866)	(1,705)	(1,374)	208	10
	46,099	18,713	31,061	5,008	32,314
Earnings before interest, tax, depreciation and amortisation	86,896	61,071	49,291	22,688	53,711
Core profit after tax (*)	10,788	25,495	31,542	17,111	38,852

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

FINANCIAL SUMMARY

FIVE YEAR FINANCIAL SUMMARY (continued)

As at 30 June

	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Non-current assets	84,372	122,902	107,209	168,322	188,487
Current assets	1,007,891	1,094,345	972,955	726,736	777,821
Current liabilities	(624,410)	(755,585)	(606,278)	(458,976)	(509,808)
Net current assets	383,481	338,760	366,677	267,760	268,013
Non-current liabilities	(41,155)	(38,712)	(18,104)	(8,846)	(4,526)
Net assets	426,698	422,950	455,782	427,236	451,974
Equity attributable to owners of the Company	432,024	426,448	457,603	427,700	452,662
Non-controlling interests	(5,326)	(3,498)	(1,821)	(464)	(688)
Total equity	426,698	422,950	455,782	427,236	451,974
Debtors turnover days	77.9	83.2	77.2	76.6	84.5
Creditors turnover days	54.7	54.8	51.8	46.1	48.6
Inventories turnover days	50.5	49.5	43.3	39.0	41.3

STATISTICS OF SHAREHOLDINGS

STATISTICS OF SHAREHOLDERS AS AT 15 SEPTEMBER 2023

Authorised share capital	:	HK\$ 1,000,000,000
Issued and Fully Paid-up Capital	:	HK\$ 21,636,000.00
Total number of issued shares (excluding treasury shares and subsidiary holdings)	:	216,348,000
Total number of treasury shares held	:	12,000
Number of Subsidiary Holdings held	:	Nil
Percentage of treasury shares held against the total number of issue shares	:	0.0055%
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	–	–	–	–
100 – 1,000	90	15.58	79,275	0.04
1,001 – 10,000	198	32.14	1,226,800	0.57
10,001 – 1,000,000	306	49.68	21,943,200	10.14
1,000,001 and above	16	2.60	193,098,725	89.25
TOTAL	616	100.00	216,348,000	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 15 September 2023)

Name	Direct Interest		Deemed Interests	
	No. of shares held	%*	No. of shares held (excluding treasury shares)	%*
Asia Platform Investment Limited	70,639,950	32.65	–	–
Kikki Investment Ltd	70,639,950	32.65	–	–
Ng Mun Kit, Michael	–	–	70,639,950 ⁽¹⁾	32.65
Ng Kin Wing, Raymond	–	–	70,639,950 ⁽²⁾	32.65
Ng Yuk Wing, Philip	–	–	72,151,950 ⁽¹⁾⁽³⁾	33.35
Ng Eng Seng	17,220,200	7.96	–	–

STATISTICS OF SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS (continued)

Notes:–

- (1) Asia Platform Investment Limited is an investment holding company which is owned by Mr. Ng Mun Kit, Michael and Mr. Ng Yuk Wing, Philip.
- (2) Kikki Investment Ltd is an investment holding company which is wholly-owned by Mr. Ng Kin Wing, Raymond.
- (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 15 September 2023.

LIST OF 20 LARGEST SHAREHOLDERS

NO.	SHAREHOLDERS NAME	NUMBER OF SHARES HELD	% *
1	Asia Platform Investment Limited	70,639,950	32.65
2	Kikki Investment Limited	70,639,950	32.65
3	DBS Nominees Pte Ltd	24,763,800	11.45
4	DB Nominees (Singapore) Pte Ltd	7,125,000	3.29
5	Wee Hian Kok	2,690,200	1.24
6	Seet Christina	2,615,000	1.21
7	Phillip Securities Pte Ltd	2,147,000	0.99
8	Cheng Kim Man Edwin	2,000,000	0.93
9	Ng Hock Kon	1,800,000	0.83
10	Leung Tak Ching	1,512,000	0.70
11	Lim Mee Hwa	1,500,000	0.69
12	Tan Ming Kirk Richard	1,350,000	0.62
13	DBS Vickers Securities (Singapore) Pte Ltd	1,210,100	0.56
14	Raffles Nominees (Pte) Limited	1,055,625	0.49
15	Seah Kun Liap	1,050,000	0.49
16	OCBC Securities Private Ltd	1,000,100	0.46
17	Kim Soo Koong	1,000,000	0.46
18	Lai Weng Kay	866,000	0.40
19	United Overseas Bank Nominees Pte Ltd	844,500	0.39
20	Iwan Rusli @ Lie Tjin Van	600,000	0.28
	Total	196,409,225	90.78

* Percentage is based on 216,348,000 Shares (excluding shares held as treasury shares and subsidiary holdings) as at 15 September 2023.

STATISTICS OF SHAREHOLDINGS

TREASURY SHARES

Number of ordinary shares purchased and held in treasury: 12,000

Percentage of such holding against the total number of issued ordinary shares (excluding treasury Shares and subsidiary holdings): 0.0055%

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

Based on information available and to the best knowledge of the Company as at 15 September 2023, approximately 25.72% 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 15 September 2023.

INFORMATION ABOUT INVESTMENT PROPERTY HELD AND PROPERTY HELD FOR SALE

MAJOR PROPERTY HELD FOR INVESTMENT PURPOSE:

Location	Purpose of property	Tenure of land	Term of lease
5th Floor, Karin Building, No. 166 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	Office premises	Leasehold	The properties are held from the government for a term of 21 years renewable for 14 years commencing on 1 July 1962, which has been statutorily extended to 30 June 2047.

PROPERTY HELD FOR SALE

Description and location	Existing use	Tenure	Gross Floor Area (square metre)	Ownership	
				2023 (%)	2022 (%)
Whole Block of Karin Building, No.166 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	Industrial	Leasehold	6,059.6	100	100

NOTICE OF ANNUAL GENERAL MEETING



嘉靈集團
KARIN
GROUP

嘉靈控股集團有限公司

Karin Technology Holdings Limited

(Incorporated in Bermuda on 30 August 2002)

Company Registration Number 32514

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be convened and held at Anson II, Level 2, M Hotel Singapore, 81 Anson Road, Singapore 079908 on Thursday, 26 October 2023 at 10.00 a.m. to transact the following businesses:

All capitalized terms used in this Notice of Annual General Meeting which are not defined herein shall have the meanings ascribed to them in the Appendix attached to the Annual Report 2023.

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2023 together with the Directors' Report and the Auditor's Report thereon. **(Resolution 1)**
2. To approve a final dividend of HK15.0 cents per ordinary share for the financial year ended 30 June 2023. **(Resolution 2)**
3. To approve Directors' Fees of HK\$861,000 for the financial year ended 30 June 2023. **(Resolution 3)**
4. To re-elect Mr. Lawrence Kwan, a director who is retiring pursuant to Bye-law 86 of the Company's Bye-laws and, being eligible, offer himself for re-election. (See *Explanatory Note 1*) **(Resolution 4)**
5. To re-elect Mr. Ng Mun Kit, Michael, a director who is retiring pursuant to Bye-law 86 of the Company's Bye-laws and, being eligible, offer himself for re-election. (See *Explanatory Note 1*) **(Resolution 5)**
6. To re-appoint Messrs. Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

NOTICE OF ANNUAL GENERAL MEETING (continued)

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 7)

"That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:

NOTICE OF ANNUAL GENERAL MEETING (continued)

- (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;

Adjustments in accordance with (i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this resolution.

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." (See *Explanatory Note 2*)

8. Authority to allot and issue Shares under the Karin Performance Share Plan

(Resolution 8)

"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 3*)

NOTICE OF ANNUAL GENERAL MEETING (continued)

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

"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 ("**2014 ESOS**") 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 2014 ESOS provided always that the aggregate number of shares to be issued pursuant to the 2014 ESOS shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time." (See *Explanatory Note 4*)

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

"That, subject to and contingent upon the passing of Resolution 9, 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 (continued)

11. Proposed renewal of the Share Buyback Mandate

(Resolution 11)

“That:

(a) pursuant to the bye-laws of the Company (the “**Bye-laws**”), the Companies Act 1981 of Bermuda (the “**Companies Act**”) and the Listing Manual of the SGX-ST, approval be and is hereby given for the renewal of the Share Buyback Mandate (as hereinafter defined) and the Directors be authorised to exercise all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined) whether by way of:

- (i) on-market purchase(s) (“**Market Purchases**”), transacted on the SGX-ST through its ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (ii) off-market purchase(s) (“**Off-Market Purchases**”) (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit and in the interests of the Company, which scheme(s) shall satisfy all the conditions prescribed by the Bye-laws and the Listing Manual,

and otherwise in accordance with other laws and regulations (the “**Share Buyback Mandate**”);

- (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 Bye-laws and the Companies Act; and
- (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 following 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 (continued)

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 Act, 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);

“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 the Shares 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-Market 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

- (d) the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or any of them may consider expedient, necessary, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this resolution.” (See *Explanatory Note 5*)

12 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, 11 October 2023

NOTICE OF ANNUAL GENERAL MEETING (continued)

Explanatory Notes on Businesses to be Transacted: —

1. Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the detailed information of each Mr. Lawrence Kwan and Mr. Ng Mun Kit, Michael, who is seeking re-election as a Director of the Company at the Annual General Meeting can be found under “Supplemental Information on Directors seeking re-election” to the annual report.
2. Resolution 7, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company. The aggregate number of Shares (including any Shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed 50% of the Company’s total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed 20% of Company’s total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue Shares pursuant to any Instrument made or granted under this authority.
3. Resolution 8, 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.
4. Resolution 9, if passed, will empower the Directors of the Company to offer and grant options under the 2014 ESOS and to allot and issue shares pursuant to the exercise of such options under the 2014 ESOS not exceeding 15% of the total number of issued shares (excluding treasury Shares and subsidiary holdings) in the capital of the Company from time to time.
5. Resolution 11, 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. Further information relating to this proposed resolution is set out in the appendix attached to the annual report. For more information on the sources of funds to be used to finance the share buyback by the Company, including the amount of financing and the financial effects on the Company arising from the share buy-backs made pursuant to the proposed Share Buyback Mandate, please refer to Sections 2.7 and 2.8 of the appendix attached to the annual report.

NOTICE OF ANNUAL GENERAL MEETING (continued)

RECORD DATE

Subject to approval of members at the Annual General Meeting, the Register of Members and Share Transfer Books of Karin Technology Holdings Limited (the "**Company**") will be closed on 31 October 2023, for the preparation of dividend warrants to the proposed final dividend of HK15.0 cents per ordinary share for the financial year ended 30 June 2023 ("**Final Dividend**").

Duly completed registrable transfers in respect of the shares in the Company received up to 5:00 p.m. on 30 October 2023 ("**Record Date**") by the Company's Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), 80 Robinson Road, #11-02 Singapore 068898 will be registered to determine Members' entitlements to the Final Dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5:00 p.m. on the Record Date will be entitled to the Final Dividend.

The Proposed Final Dividend, if approved at the Annual General Meeting, will be paid on 16 November 2023.

Notes:

- i. The Annual General Meeting ("**AGM**") will be convened and held physically. There will be no option for shareholders to participate virtually. The 2023 Annual Report (with Appendix) will be mailed to members. The 2023 Annual Report (with Appendix) will also be published on the Company's website at <https://karingroup.com/agm> and via SGXNET at the URL <https://www.sgx.com/securities/company-announcements>.
- ii. Members (including investors who holds shares under the Central Provident Fund Investment Scheme and Supplementary Retirement Scheme ("**CPF/SRS Investors**") may participate in the AGM by:
 - (a) Attending the AGM in person;
 - (b) Asking questions at the AGM or submitting questions in advance of the AGM; and/or
 - (c) Voting at the AGM (i) personally; or (ii) through duly appointed proxy(ies).
- (iii) Substantial and relevant questions related to the agenda of AGM may be submitted in advance of the AGM by 3.00 p.m. on 19 October 2023 in the following manner:
 - Email to sg.is.KARINproxy@sg.tricorglobal.com; or
 - Post to the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), at 80 Robinson Road #11-02, Singapore 068898.

NOTICE OF ANNUAL GENERAL MEETING (continued)

When submitting the questions, please provide the Company with the following details, for verification purpose:

- (a) full name (for individuals)/company name (for corporates);
- (b) NRIC/Passport/Company Registration number;
- (c) Mailing address;
- (d) Contact number; and
- (e) Shareholding type (e.g. via CDP, CPF or SRS) and number of shares held.

Responses to these questions will be posted on the SGXNet and the Company's website by 10.00 a.m. on 21 October 2023. Where substantial and relevant questions submitted by shareholders are unable to be addressed prior to the AGM, including any questions received by the Company after 3.00 p.m. on 19 October 2023, the Company will address them during the AGM.

- (iv) A member who is a Relevant Intermediary* is entitled to attend, speak and vote at the AGM and is entitled to appoint more than two (2) proxies to attend, speak and vote, but each proxy must be appointed to exercise the rights attached to a different share or shares held by each member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.
- (v) A proxy need not be a member of the Company. Where a member who is not a Relevant Intermediary* appoints more than one (1) proxy, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no percentage is specified, the first named proxy shall be treated as representing 100 per cent. of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
- (vi) The Chairman of the meeting, as proxy, need not be a member of the Company. A member may appoint the Chairman of the meeting as his/her/its proxy. If a member wishes to appoint the Chairman of the meeting as proxy, such member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
- (vii) The instrument appointing a proxy must be signed and send:
 - (a) if submitted by post, be lodged with the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), at 80 Robinson Road #11-02, Singapore 068898; or
 - (b) Email to the Company's Share Registrar at sg.is.KARINproxy@sg.tricorglobal.com,

in either case, by no later than 10.00 a.m. on 23 October 2023, being seventy-two (72) hours before the time fixed for the AGM.

The completion and return of the proxy form by a Shareholder will not prevent him from attending, speaking and voting at the AGM in place of his proxy should he subsequently wish to do so.

NOTICE OF ANNUAL GENERAL MEETING (continued)

- (viii) A CPF/SRS investor who wishes to exercise his/her vote should approach his/her respective Relevant Intermediary, including CPF Agent Bank or SRS Operator to submit his/her voting instructions by 10.00 a.m. on 17 October 2023, being seven (7) working days before the date of the AGM. CPF and SRS Investors are encouraged to contact their respective Relevant Intermediary for any queries they may have with regard to the appointment of proxy/proxies for the AGM.
- (ix) A depositor shall not be regarded as a member of the Company entitled to attend and vote at the AGM unless his/her name appears on the Depository Register not less than seventy-two (72) hours before the time of the AGM, i.e. 10.00 a.m. on 23 October 2023.

*“A Relevant Intermediary” means:

- a. a banking corporation licensed under the Banking Act 1970, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- b. a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001, and who holds shares in that capacity; or
- c. the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY:

By (a) submitting an instrument appointing a proxy(ies) to attend, speak and vote at the AGM and/or any adjournment thereof or (b) submitting any question prior to the AGM in accordance with Note (iii) above, a member of the Company consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the purposes of:

- (i) processing and administration by the Company (or its agents or service providers) of the appointment of proxy(ies) for the AGM (including any adjournment thereof);
- (ii) addressing relevant and substantial questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions;
- (iii) preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the supplemental information relating to the retiring directors, Mr. Lawrence Kwan and Mr Ng Mun Kit, Michael, as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is append below:

	Mr. Lawrence Kwan	Mr. Ng Mun Kit, Michael
Date of Appointment	13 July 2012	1 July 2018
Date of last re-appointment	28 October 2021	28 October 2021
Age	76	45
Country of principal residence	Singapore	Hong Kong
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee (" NC ") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr. Lawrence Kwan for reelection as Independent Director of the Company. The Board have reviewed and concluded that Mr. Lawrence Kwan possess the experience, expertise, knowledge and skills that will continue to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee (" NC ") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr. Ng Mun Kit, Michael for re-election as Executive Director of the Company. The Board have reviewed and concluded that Mr. Ng Mun Kit, Michael possess the experience, expertise, knowledge and skills that will continue to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	As Executive Director/Chief Executive Officer, Mr. Ng Mun Kit, Michael is responsible for the management of the business and affairs of the Company in accordance with the Company's strategy and objectives approved by the Board of Directors of the Company (" Board ").
Job Title (e.g. Lead ID, AC Chairman, AC Member)	Independent Director, Chairman of the Nominating Committee and a member of the Audit and Risk Management Committee and Remuneration Committee.	Executive Director/Chief Executive Officer

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (continued)

	Mr. Lawrence Kwan	Mr. Ng Mun Kit, Michael
Professional qualifications	<ul style="list-style-type: none"> • Fellow of the Chartered Governance Institute, United Kingdom & Ireland (CGI)/Institute of Chartered Secretaries and Administrators, United Kingdom (ICSA) • Fellow of the Chartered Secretaries Institute of Singapore (CSIS) • Graduate member of the Australian Institute of Company Directors • Master of Business Administration degree from the University Of East London, United Kingdom • Member of the Singapore Institute of Directors 	Mr. Ng Mun Kit, Michael graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree with majors in Finance and Marketing.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	Mr. Ng Mun Kit, Michael is the son of Mr. Ng Yuk Wing, Philip, Executive Director/Chairman Emeritus and substantial shareholder. He is also the nephew of Mr. Ng Kin Wing, Raymond, Executive Director/Executive Chairman and substantial shareholder.

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (continued)

	Mr. Lawrence Kwan	Mr. Ng Mun Kit, Michael
Conflict of Interest (including any competing business)	No	No
Working experience and occupation(s) during the past 10 years	<p>2006 to present: Consultant of ACT Management Services Pte Ltd</p> <p>2007 to 2011: Associate Director of Tricor Evatthouse Corporate Services</p> <p>2005 to 2013: Associate Director/ Owner of HIM Governance Pte Ltd</p>	<p>2014 to present</p> <p>Prior to his appointment to the Board on 1 July 2018, Mr. Ng Mun Kit, Michael was the General Manager of Karin Technology Holding Limited.</p> <p>2000 to 2014</p> <p>Senior Consultant of Thomson Reuters in Sydney and Hong Kong where he was responsible for the training execution across the Group in Asia.</p>
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	Yes	Yes
Shareholding details	Direct interest: 200,000 ordinary shares	Mr. Ng Mun Kit, Michael is deemed interested in the 70,639,950 shares held by Asia Platform Investment Limited which is an investment holding company owned by him and Mr. Ng Yuk Wing, Philip.
Past (for the last 5 years)	<p>Actinon Pte Ltd</p> <p>Afriscot Commodities Pte Ltd</p> <p>Anergy Pte Ltd</p> <p>Anval International Pte Ltd</p> <p>Bray Controls Southeast Asia Pte Ltd</p> <p>Dragonfly Pte Ltd</p> <p>Extractive Capital Pte Ltd</p> <p>Hunter Bay Technologies Pte Ltd</p> <p>Mazdean Pte Ltd (Company strike off)</p> <p>Petrus Oil and Gas International Trade Pte Ltd</p> <p>Prometheus Advisory Pte Ltd</p> <p>Reliance Big Entertainment (SG) Pte Ltd</p> <p>Riskcare Pte Ltd</p> <p>Singfert Pte Ltd</p> <p>Sinova Medical Technologies Pte Ltd</p> <p>Tennant Packaging Corporation SG Pte Ltd</p> <p>Top Iron Pte Ltd</p>	Nil

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (continued)

	Mr. Lawrence Kwan	Mr. Ng Mun Kit, Michael
Present	052462 Pte Ltd Emakina Asia Pte Ltd Emakina.sg Pte Ltd EOS IT Management Solutions (SG) Pte Ltd iSURVEY Pte Ltd (now know as Reach Subsea Pte Ltd) Magna Tyres Singapore Pte Ltd Nelson Marine Pte Ltd Peak Scientific Singapore Private Limited Petra Consulting Pte Ltd Rebound Singapore Pte Ltd Reliance Natural Resources (SG) Pte Ltd SailPoint Technologies Pte Ltd Vinmar Overseas (SG) Pte Ltd Va-Q-tec SG Pte Ltd Centre for Corporate Management & Development Pte Ltd SBI Offshore Ltd. (In Liquidation)	All subsidiaries under Karin Group Karin (Holdings) Limited Asia Platform Investment Limited

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (continued)**INFORMATION REQUIRED**

	Mr. Lawrence Kwan	Mr. Ng Mun Kit, Michael
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c) Whether there is any unsatisfied judgment against him?	No	No
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (continued)

	Mr. Lawrence Kwan	Mr. Ng Mun Kit, Michael
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (continued)

	Mr. Lawrence Kwan	Mr. Ng Mun Kit, Michael
<p>j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:—</p> <p>i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</p> <p>iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	No	No
<p>k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</p>	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (continued)

	Mr. Lawrence Kwan	Mr. Ng Mun Kit, Michael
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company?	N.A.	N.A.
If yes, please provide details of prior experience.		
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.		
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).		



**Karin Technology
Holdings Limited**



Karin Technology Holdings Limited
9th Floor, The Whitney, 183 Wai Yip Street
Kwun Tong, Kowloon, Hong Kong
Tel: (852) 2389 8252
www.karingroup.com