Karin Technology Holdings Limited

ANNUAL REPORT 2015

INNOVATE

LEADS OUR FUTURE

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 38 years in Hong Kong and the People's Republic of China ("PRC").

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

Since our listing on the SGX-ST Mainboard in 2005, we have carved out an escalating presence in three core businesses – Components Distribution; IT Infrastructure Solutions and Services; and Consumer Electronics Products – in Hong Kong and the PRC markets.

In 2007, I M I Kabel Pte Ltd, a Singapore-based distributor of data control cables for a variety of industries ranging from industrial automation to port and shipyard, offshore oil fields and petrochemical facilities, was acquired by our Group.

In 2011, Karin added a retail business arm to its operations under the trade name "In-Smart". To date, the Group has four In-Smart stores in Hong Kong.

Contents

VISION

The Group's business is built on firm foundations based on healthy financing and sound risk management, making us more resilient to economic changes and our core businesses have adopted clear and achievable growth strategies including strategies for expanding vendor relationships, extending the availability of products and services, both vertical and horizontal, increasing the range of applications for both existing and new industry clients and broadening customer base.

MISSION

Karin Group is dedicated to offering value-added products and solutions together with quality professional services to fulfill customer needs and contribute to the expansion of retailing, electronic, electrical and information technology industries in Hong Kong, the PRC and ASEAN.

Chairman and CEO Statement and Operation Review

Raymond NG
Executive Chairman and CEO,
Karin Group

This year is Karin's 10th anniversary since its public listing in 2005. Even through the difficult periods of 2008 (global financial crisis) and 2012 (European financial crisis), Karin has not failed to reward its shareholders with strong dividend payouts together with share price appreciation over this past decade.

PERFORMANCE

In FY2015, Karin achieved stronger results with record high revenue and profit since its public listing. Revenue increased by 5.3% (from HK$3,079,430,000 in FY2014 to HK$3,243,374,000 in FY2015) and Gross Profit increased by 31.0% (from HK$212,951,000 to HK$278,937,000). Profit-for-the-year increased by 100.6% (from HK$39,963,000 to HK$80,162,000) and the Group's net asset grew by 12.7% (from HK$591,170,000 to HK$666,488,000). The strength of the results came from the efforts of Marketing and Sales Staff ("**MSS**") and the Business Supporting Staff ("**BSS**"). Inventory increased by 34.0% (from HK$158,934,000 to HK$213,013,000) and Trade & Bill Receivables increased by 14.4% (from HK$358,901,000 to HK$410,500,000) to support business growth, while BSS closely monitored costs and expenses and experienced only minor increases in Selling and distribution costs by 3.3% (from HK$80,299,000 to HK$82,952,000) and Wages and Salaries by 3.3% (from HK$98,976,000 to HK$102,246,000).

Karin Group has demonstrated its consistent performance through the strategic management of Karin's three segments being (1) Components Distribution ("**CD**"); (2) Information Technology Solutions and Services ("**ITSS**"); and (3) Consumer Electronics Products ("**CEP**"). The CD segment contains three Strategic Business Units ("**SBU**"). They are (A) Industrial Materials and Instrumentation Group ("**IMIG**"); (B) Electronic & Electrical Components Group ("**EECG**"); and (C) Integrated Circuit Application Design ("**ICAD**"). ITSS and CEP are also a SBU on its own respectively. These SBUs have been working to grow the business potential of the IT, electronic and heavy industries in China, Hong Kong and Singapore in the past decade and will continue to do so in the years to come.

PRODUCT-MARKETING, LOGISTICS AND PRODUCTIVITY DEVELOPMENT

Despite the slowdown of corporate investment and the upcoming paradigm shift in IT cloud computing, Internet of Things ("**IoT**") and China's national infrastructure investment in the coming years, Karin has been investing in staff training in technical skillset to enhance customer support in the current business and developing new products and solutions in ITSS's security and networking application, EECG's consumer electronics production and IMIG's energy saving and renewal energy market. Indeed, product marketing is a business strategy that Karin will take to develop new business opportunities with significant revenue potential for the Group from FY2016 onward.

ITSS & CEP are working on Information and Communications Technology ("**ICT**"), cloud and mobile computing, social media and big data applications that will drive and lead Karin into its leap to the new horizon as the market is powered by highly dynamic, responsive, automated, virtualized and secured platforms. CEP has strong relationships and coverage in key retail outlets in Hong Kong and Macau. With a strong and established channel network, CEP will keep on expanding its business by offering more trendy and stylish products as part of its long term strategy.

IMIG focuses on China's National Infrastructure and 'One Belt, One Road' strategy and emerging ASEAN markets that will provide great business opportunities to Karin for the coming decades. In the long run, IMIG will coordinate Karin's network in China and (through Singapore) the ASEAN region and work out infrastructure projects like energy-saving and environmental protection products and solutions for the infrastructure markets, including telecommunications, renewable energy, electric vehicle and railway.

EECG and ICAD will catch up with the growing production markets in the region and will further develop new products in the wireless wearable device, smartphone, healthcare and automobile applications. On top of our existing product lines from Japan and Taiwan, EECG is also strengthening Karin's product lines from North America, China and Europe with value-added product and customers' competitive advantage. ICAD has extended the skillset of wireless application and control system in linking mobile devices from iOS to Android platforms and Blue-Tooth Low Power Technology BT4.1 (BT4.1 supports IPv6 for IoT application) on different applications that require low energy and low data rate for short range transfer. Typical applications are alarm, AC switch timer, game and other consumer products.

Some of the industry leaders have redefined the future business environment and industry evolution as "IT 2.0 and Industry 4.0" in the years to come, initiating a paradigm shift of the Electronics, IT Solutions and Services and Heavy Industries for industry players including Karin in the near future. Karin is poised for this impending shift.

Besides implementing a new ERP system as a means of providing quality and cost effective IT services to the Group's SBUs, Karin has been investing in the development of Intranet Applications to automate traditional operations to a collaborated digital operations environment that will enhance quality, effectiveness, traceability and manageability, as well as control and provide data analysis for further operational improvements. By continuously improving the IT infrastructure and B2B automation environment, the Group has established an agile, secure (with data-protection and sustainable to disaster), efficient and reliable operation to support current and continuous growth. The Group's IT infrastructure and platform can be easily but securely accessed by authorised users anywhere and anytime, increasing our agility to meet vendors and serve customers with the Group's ever changing business models.

CHALLENGE AHEAD

The slowdown of the global economy, in particular the stock market correction in China, is the key issue that affects manufacturers' production plan and corporations' investment decisions in FY2016. Nevertheless, China's continued investment in national infrastructure will provide increasing business opportunities to Karin. In the longer term, Karin will continue to invest in its core competency-building, technical skillsets and logistic efficiency as a means to be a leading professional value-added service provider in the industry. The Board strongly believes that the Karin Group will continue to grow and reward its shareholders as well as stakeholders in the years to come.

Ng Kin Wing, Raymond
Executive Chairman and CEO, Karin Group

Financial Review

PROFIT AND LOSS

REVENUE

Revenue increased by approximately HK$164.0 million or 5.3% from HK$3,079.4 million for the year ended 30 June 2014 to HK$3,243.4 million for the year ended 30 June 2015.

Revenue from our Components Distribution ("**CD**") segment increased by HK$102.3 million or 12.5%, from HK$817.7 million for the year ended 30 June 2014 to HK$920.0 million for the year under review. The increase was mostly due to increase in demand for certain electronic components for smart phones and certain wireless consumer accessories throughout the year under review.

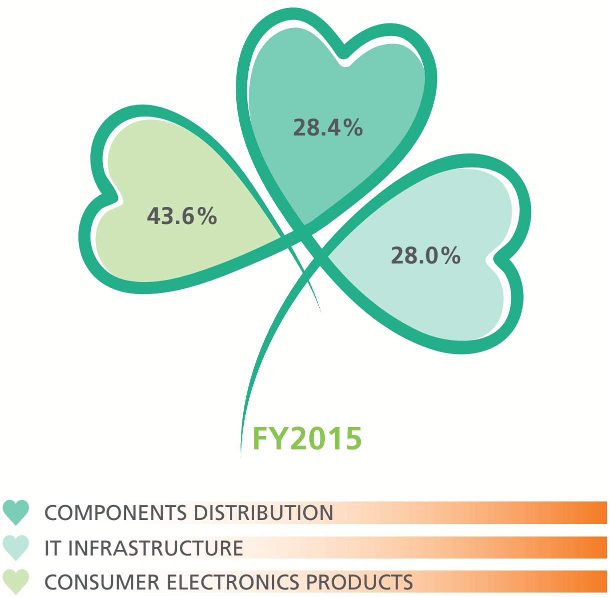
Revenue from our Information Technology Infrastructure ("**IT Infrastructure**") segment decreased by HK$23.7 million or 2.5%, from HK$932.3 million for the year ended 30 June 2014 to HK$908.6 million for the current year. The decrease was due to uncertain economic environment during the year under review, and as a result of spending of our clients had slowed down.

Revenue from our Consumer Electronics Products ("**CEP**") segment increased by HK$85.4 million or 6.4%, from HK$1,329.4 million for the year ended 30 June 2014 to HK$1,414.8 million for the current year. The increase was mainly due to high demand of certain smart phones which were released during the year under review.

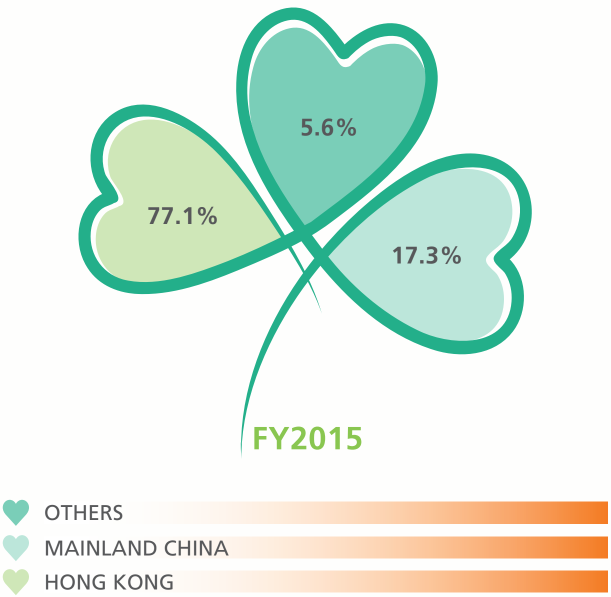
GROSS PROFIT

Gross profit increased by HK$65.9 million or 30.9%, from HK$213.0 million for the year ended 30 June 2014 to HK$278.9 million for the year ended 30 June 2015. The increase in gross profit was mainly due to (1) the 12.5% increase in revenue in the CD segment with no sacrifice of margin; (2) limited supply of certain CEP in the market enables a relatively higher selling margin.

REVENUE BY BUSINESS SEGMENTS FOR FY2015



REVENUE BY GEOGRAPHICAL REGIONS FOR FY2015



OTHER INCOME AND GAINS, NET

Other income and gains, net decreased by HK$2.9 million or 38.7%, from HK$7.5 million for the year ended 30 June 2014 to HK$4.6 million for the year ended 30 June 2015. The decrease was mostly due to exchange gain of HK$2.9 million in last year turned into losses of HK$0.2 million during the year under review which was recorded under "Other expenses, net".

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs increased slightly by HK$2.7 million or 3.4%, from HK$80.3 million for the year ended 30 June 2014 to HK$83.0 million for the year ended 30 June 2015. The increase was mainly due to increase in bonus of HK$4.7 million for sales staff because of profit improvement and offset by decrease in rental expenses of HK$1.5 million as a result of reduction in the number of CEP retail shops from 6 to 4 during the year under review.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by HK$9.6 million or 11.0%, from HK$87.2 million for the year ended 30 June 2014 to HK$96.8 million for the year ended 30 June 2015. The increase was mainly due to (1) increase in depreciation charge of HK$4.1 million which was in turn due to appreciation of property values for leasehold land and buildings; (2) increase in staff bonus of HK$4.1 million due to profit improvement; and (3) increase in staff salary of HK$1.3 million in line with the market.

OTHER EXPENSES, NET

Other expenses, net increased by HK$3.1 million, from HK$0.2 million for the year ended 30 June 2014 to HK$3.3 million for the year ended 30 June 2015. The change was mainly due to increase in impairment of trade receivables by HK$2.9 million.

FINANCE COSTS

Finance costs decreased by HK$0.1 million or 3.8%, from HK$2.0 million for the year ended 30 June 2014 to HK$1.9 million for the year ended 30 June 2015.

NET PROFIT

Net profit attributable to owners of the Company increased by HK$25.5 million or 67.9%, from HK$37.4 million for the year ended 30 June 2014 to HK$62.9 million for the year ended 30 June 2015. The increase was mostly attributable to increase in gross profit offset by increase in depreciation expenses and staff bonus.

NON-CONTROLLING INTERESTS

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

Financial Review

STATEMENT OF FINANCIAL POSITION

NON-CURRENT ASSETS

Non-current assets comprised goodwill of HK$2.1 million; investment properties, office equipment, leasehold land and buildings and motor vehicles amounting to HK$426.1 million; deferred tax assets of HK$1.0 million; investment in an associate of HK$0.8 million; prepayment for office renovation of HK$0.6 million and a factored trade receivable of HK$0.5 million. At 30 June 2015, non-current assets amounted to HK$431.1 million, representing approximately 34.5% of the total assets. Increase in non-current assets from last year was mainly due to (1) the acquisition of an office premise in Beijing of HK$13.5 million; and (2) increase in office equipment, leasehold land and buildings of HK$11.6 million due to renovation of Hong Kong office.

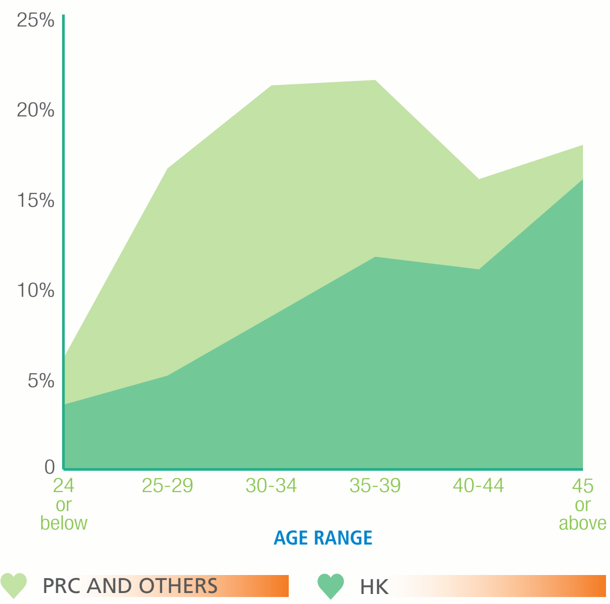
CURRENT ASSETS

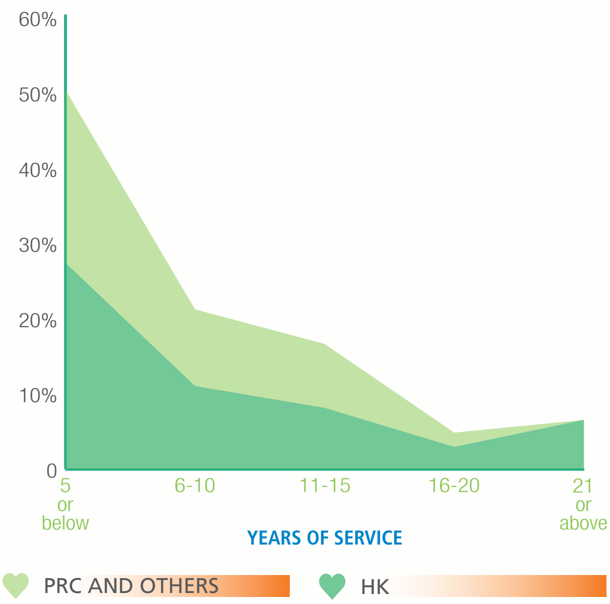
As at 30 June 2015, current assets amounted to HK$816.9 million, an increase of HK$160.7 million compared to the immediately preceding financial year end at 30 June 2014. The increase was mostly because of (1) increase in inventories of HK$54.1 million as a result of increasing sales; (2) increase in cash and cash equivalents by HK$48.2 million which was mainly due to higher cash flow generated from increase in businesses of CD and CEP segments; and (3) increase in trade and bills receivables of HK$51.6 million.

CURRENT LIABILITIES

As at 30 June 2015, current liabilities amounted to approximately HK$522.8 million, an increase of HK$105.7 million compared to the immediately preceding financial year end at 30 June 2014. The increase was mainly due to (1) increase in trade payables of HK$82.2 million which was in line with increase in cost of sales; (2) increase in other payables and accruals of HK$42.4 million which was mostly due to (A) payment in advance of HK$33.5 million from customers for certain projects; and (B) increase in staff bonus provision of HK$7.8 million due to profit improvement; (3) increase in income tax payable of HK$6.8 million due to increase in profit for the current year; and offset by decrease in interest-bearing bank and other borrowings of HK$25.7 million.

STAFF STATISTICS





NON-CURRENT LIABILITIES

Non-current liabilities amounted to HK$58.7 million, representing 10.1% of the total liabilities as at 30 June 2015. The amount mainly comprised of deferred tax liabilities. Deferred tax liabilities were recognised as a result of temporary differences between the carrying amounts and tax bases of our land and buildings and investment properties.

LIQUIDITY AND CASH FLOW

As at 30 June 2015, cash and cash equivalents amounted to HK$138.6 million. Total interest bearing loans and borrowings as at 30 June 2015 were HK$143.6 million and the gearing ratio which is defined as total borrowings and finance leases to shareholders' funds, was 0.22 times (30 June 2014: 0.29 times).

ACCUMULATED DIVIDEND PAID SINCE IPO

Board of Directors

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

Mr. Ng Kin Wing, Raymond, is the Executive Chairman, Chief Executive Officer and an Executive Director of our Group. He was appointed as Executive Chairman on 9 October 2014 and a member of our Board since 5 September 2002. Mr. Ng is one of the founders of our Group and is responsible for overseeing the Group's entire operations and general management. He has over 30 years of experience in the components distribution business. Mr. Ng is a full member of the Hong Kong Management Association and a fellow member of the Hong Kong Institute of Marketing. Mr. Ng obtained his higher certificate in mechanical engineering at the Hong Kong Technical College (former college of the Hong Kong Polytechnic University) in 1971 and Bachelor of Business Administration degree from the University of East Asia of Macau in 1990. In 2004 he obtained a Master of Business Administration degree from the Macquarie University of Sydney, Australia. In addition, he was awarded the degrees of Master of Arts in Applied Translation from The Open University of Hong Kong in 2008 and Master of Science in Energy and Environment from City University of Hong Kong in 2015. He is the younger brother of Mr. Philip Ng and the elder brother of Mr. Allan Ng.

Mr. Ng Yuk Wing, Philip
Senior Executive Director

Mr. Ng Yuk Wing, Philip, is the Senior Executive Director of our Group after he stepped down as Executive Chairman following the conclusion of the Annual General Meeting held on 9 October 2014 as part of the succession plan for the Chairman. He was appointed as director of the Company on 5 September 2002. Mr. Ng is one of the founders of our Group, having established Karin Electronic Supplies Co. Ltd. in 1977 and is responsible for the overall strategic planning and business development of our Group. Mr. Ng has over 30 years of experience in the components distribution business. He graduated from the University of Hong Kong with a Bachelor of Science degree in Electrical Engineering in 1972. He is the elder brother of Mr. Raymond Ng and Mr. Allan Ng.

Mr. Lee Yiu Chung, Eugene
Chief Operating Officer

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

Prof. Ng Tung Sang
Independent Director

Prof. Ng Tung Sang is one of our Independent Directors. He was a Director of the Board Directors of School of Professional and Continuing Education, The University of Hong Kong, Head of Department of Electrical and Electronic Engineering and Dean of the Faculty of Engineering. Prof. Ng has extensive expertise in wireless communications, particularly in CDMA and the third and fourth generation mobile systems and is distinguished for his contribution in signal processing techniques in spread spectrum communication systems. Prof. Ng had been appointed as a consultant to Canon Inc. Japan, BHP Steel International and several other companies in Australia. He was awarded the Honorary Doctor of Engineering degree by the University of Newcastle, Australia, in 1997, the Senior Croucher Foundation Fellowship by The Croucher Foundation in 1999, and the IEEE Millennium medal by the Institute of Electrical & Electronic Engineers in 2000. Prof. Ng was previously appointed as our independent director on 26 January 2003. He was reappointed to our Board on 20 January 2005 after his resignation on 31 May 2003.

Board of **Directors**

Mr. Lim Yew Kong, John

Independent Director

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

Mr. Lawrence Kwan

Independent Director

Mr. Lawrence Kwan was appointed an Independent Director of the Company on 13 July 2012. He was a partner and associate director of a boutique corporate governance advisory firm that aims to enhance the governance environment of clients through delivering clarity in corporate governance till August 2014. He was the managing director of a firm of corporate secretarial and share registrar services provider till his retirement in January 2005. He has, since 1975, been working in the fields of financial services and professional corporate secretarial services. He was a Board Member and Audit Committee Member of the Accounting and Corporate Regulatory Authority of Singapore (ACRA) from April 2008 to March 2014. He was an independent non-executive director of Firstlink Investments Corporation Limited (formerly listed on the SGX) from November 2009 to June 2014. Mr. Kwan is a Fellow member of the Institute of Chartered Secretaries and Administrators, United Kingdom. He is currently a Council Member and the immediate past Chairman of the Singapore Association of the Institute of Chartered Secretaries and Administrators (SAICSA). He also holds a Master of Business Administration degree from the University of East London, United Kingdom. He is a Graduate member of the Australian Institute of Company Directors and a full member of the Singapore Institute of Directors.

Senior Management

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

Mr. Cheng Pak Cheong, Ray, is responsible for the IC application design segment 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 Macquarie Graduate School of Management; and a Master of Laws degree from Renmin University of China. Mr. Cheng joined our Group in July 1988.

Ms. Ching Ngar Yee, Becky
Logistics Manager

Ms. Ching Ngar Yee, Becky, is responsible for the Group's logistics development. She holds a Bachelor's degree in Social Sciences and Logistics. She also obtained a Master of Science degree in Marketing from Napier University. She is a Chartered Member (CMILT) of Chartered Institute of Logistics and Transport. She has 15 years of experience in logistics development. Ms. Ching joined the Group in May 1995.

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

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

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

Ms. Fan Shu Yung, Cecilia, is responsible for human resources management and office administration of our Group. Ms. Fan graduated from the University of Wollongong, Australia with a Bachelor of Commerce degree and holds a Master of Management degree in Human Resources Management from the Macquarie University, Australia. Ms. Fan has been working in the management position for 17 years. She joined our Group in November 1996.

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

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

Senior Management

Mr. Mok Pui Wah, Kenneth

General Manager of Electronics Components Division

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

Mr. Ng Kam Wing, Allan

Chief Technology Officer

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

Ms. Ng Shuk Yi, Louisa

Financial and Accounting Manager

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

Mr. Wong Chi Cheung, Clarence

Financial Controller and Joint Company Secretary

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

Group Structure

KARIN TECHNOLOGY HOLDINGS LIMITED

HKG

KARIN ELECTRONIC SUPPLIES CO. LTD.

NEW SPIRIT TECHNOLOGY LTD.

SEN SPIRIT TECHNOLOGY LTD.

KEPRO SOLUTIONS LTD.

COMPUCON COMPUTERS LTD.

KARGA SOLUTIONS LTD.

MEET SOLUTIONS LTD. (was formerly known as KARFID TECHNOLOGY LTD.)

KCF A STORE LTD.

IN-SMART

- PRINCE EDWARD
- CAUSEWAY BAY
- SHAM SHUI PO (2 stores)

CHI

KARIN INTERNATIONAL TRADING (SHANGHAI) CO. LTD.

- SHANGHAI
- QINGDAO
- XIAN

KARIN ELECTRONIC TRADING (SHENZHEN) CO. LTD.

- SHENZHEN
- BEIJING
- XIAMEN
- CHONGQING
- CHANGSHA

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

- SHENZHEN

KARLTEC INFORMATION SYSTEM (SHENZHEN) CO. LTD.

- SHENZHEN

MATRIX POWER TECHNOLOGY (SHENZHEN) CO. LTD.

SHANGHAI COSEL INTERNATIONAL TRADING CO. LTD.

SGP

I M I KABEL PTE. LTD.

Fiscal Year
2015 Events

2014

SEP 14
Volunteering at Food Bank

SEP 14
Well-Being and Medical Health Seminar

SEP

SEP 14
Voluntary Work

OCT

OCT 14
Totem Run

NOV

NOV 14
Autumn Outing

DEC 14
Christmas Party

DEC

DEC 14
Partners Event with EMC

2015

MAR

MAR 15
Partners Seminar with F5

MAR 2015
Spring Dinner

APR 15
Karin & Huawei Partner Kick Off

APR

APR 15
Partners
Incentive Trip

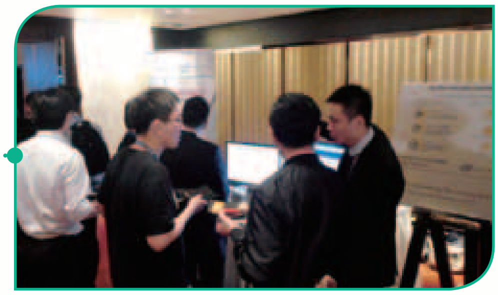
APR 15
Seminar with
Oracle JDE

MAY 15
Infosec Event

MAY

MAY 15
Kepro at Cisco Connect 2015

JUN



JUN 15
Intel Security Cyber Security
Conference 2015

AUG

AUG 15
Samsung Printers Event

Milestones

2015	Established business relationship with Huawei Enterprise in Hong Kong. Established business relationship with Samsung printers. Established business relationship with TYLT.
2014	Established business relationship with CA (Hong Kong) Ltd. Acquisition of own use property in Beijing. Established business relationship with Pericom Semiconductor (HK) Ltd. Established business relationship with Procera Networks, Inc.
2013	Established business relationship with Beats Electronics International Ltd. In-Smart – 3rd Sham Shui Po Store was set up.
2012	In-Smart – 2nd Sham Shui Po Store was set up. Established business relationship with Fuji Xerox Printers Hong Kong. Karin Electronic Trading (Shenzhen) Co. Ltd. – Chongqing liaison point was set up. Karin Electronic Trading (Shenzhen) Co. Ltd. – Changsha liaison point was set up. Karin International Trading (Shanghai) Co. Ltd. – Xian liaison point was set up. In-Smart – Tsim Sha Tsui Store was set up. Acquired the one remaining floor of Karin Building. Established business relationship with Commvault systems (Hong Kong) Ltd.
2011	In-Smart – Sham Shui Po Store was set up. In-Smart – Causeway Bay Store was set up. In-Smart – Prince Edward Store was set up. Subsidiary KCF A Store Ltd. (trading as In-Smart) was formed. Associate Company Shanghai Cosel International Trading Co. Ltd. was formed. Established business relationship with SAP Hong Kong Company Limited. Established business relationship with Arista Networks Limited. Established business relationship with Motorola Technology SDN BHD. Subsidiary Company Matrix Power Technology (Shenzhen) Co. Ltd. was formed. Acquisition of own use property in Shanghai. Karltec Information System (Shenzhen) Co. Ltd. – Guangzhou Representative Office was set up.
2010	Established business relationship with Imation Hong Kong Limited. Established business relationship with Tectia Limited. Established business relationship with McAfee Ireland Limited. Established business relationship with UFIDA (Hong Kong) Co. Ltd. Established business relationship with TippingPoint Technologies, Inc. Established business relationship with Blue Coat Systems International SARL.
2009	Accredited ISO9001:2008 certificate. Established business relationship with Brocade Communications Systems, Inc. Established business relationship with Check Point Software Technologies Limited. Established business relationship with F5 Networks Hong Kong Limited. Subsidiary company Karga Solutions was formed. Acquisition of own use property in Shenzhen.
2008	Established business relationship with IBM Singapore Pte Limited. Established business relationship with Lexmark International (China) Limited. Subsidiary company Gamatech Ltd. was disposed.
2007	Established business relationship with Conwise Technology Corporation Ltd. Established business relationship with Fujitsu Hong Kong Limited. Established business relationship with Immense Advance Technology Corp. Established business relationship with Nan Ya Plastics Corporation (LCD Unit). Established business relationship with Samsung Electronics H.K. Co. Ltd. Established business relationship with Victor Century International Limited. Opened Karin Solution Centre. Subsidiary company Karfid Technology Ltd. was formed. Acquisition of a subsidiary I M I Kabel Pte Ltd.

2006	Established business relationship with Quantum Corporation. Established business relationship with 3i Infotech Pte Limited. Established business relationship with Fortinet International Inc. Established business relationship with Kashya Ltd. Established business relationship with Oracle Systems Hong Kong Ltd. Established business relationship with Hannspree Hong Kong Ltd. Karin International Trading (Shanghai) Co. Ltd. – Qingdao liaison point was set up. Subsidiary company Karltec Information System (Shenzhen) Co. Ltd. was formed. Karin Electronic Trading (Shenzhen) Co. Ltd. – Xiamen Representative Office was set up.
2005	Established business relationship with Advanced Digital Information Corporation. Established business relationship with Computer Associates International Ltd. Subsidiary company Gamatech Ltd. was formed. Karin Technology Holdings Limited listed on the SGX Mainboard.
2004	Established business relationship with Apple Computers International Ltd. IT Support & Service Sales Division was established. Karin Electronic Trading (Shenzhen) Co. Ltd. – Beijing Representative Office was set up.
2003	Accredited ISO9001:2000 certificate. Established business relationship with BEA Systems HK Ltd. Established business relationship with EMC Computer Systems (FE) Ltd. Established business relationship with Nokia (H.K.) Ltd. Established business relationship with Dragonchip Ltd. Opened Sun iForce Low-Cost Computing Solution Centre.
2002	Established business relationship with Cheertek Inc. Established business relationship with Hewlett-Packard HK SAR Ltd. Established business relationship with Sun Microsystems of California Ltd. Established business relationship with Tenx Technology Inc. Opened Compucon Audio-Visual Product Center. New Spirit Technology Development (Shenzhen) Co. Ltd. – Hangzhou Representative Office was set up.
2001	Established business relationship with Borderware Technologies Inc. Subsidiary company Compucon Computers Ltd. was formed. Subsidiary company Karin Electronic Trading (Shenzhen) Co. Ltd. was formed. Subsidiary company Kepro Solutions Ltd. was formed. Subsidiary company New Spirit Electronic Technology Development (Shenzhen) Co. Ltd. was formed. Subsidiary company Sen Spirit Technology Ltd. was formed.
2000	Subsidiary company Karin International Trading (Shanghai) Co. Ltd. Subsidiary company New Spirit Technology Limited was formed.
1998	Established business relationship with Phoenix Contact Gmbh & Co. KG.
1996	Accredited BSI certificate. Established business relationship with Compaq Computers Ltd. Established business relationship with Hirose Electric Co. Ltd.
1994	Accredited ISO9002:1994 certificate.
1989	Established business relationship with IXYS Corporation.
1988	Established business relationship with Winbond Electronic Corp.
1987	Established business relationship with Helukabel Singapore Pte. Ltd.
1985	Industrial Material & Instrumental Marketing Group was established.
1984	Computer Products Marketing Group was established.
1982	Established business relationship with Shindengen Electric Manufacturing Co. Ltd.
1981	Headquarters moved into Karin Building at Kwun Tong. China Trade Sales Division was established.
1977	Established business relationship with Daishinku Corp. Electronic Components Marketing Group was established. Karin Electronic Supplies Co. Ltd. was established in Hong Kong.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ng Kin Wing, Raymond
(Executive Chairman and Chief Executive Officer)
Ng Yuk Wing, Philip (Senior Executive Director)
Lee Yiu Chung, Eugene (Chief Operating Officer)
Ng Tung Sang (Independent Director)
Lim Yew Kong, John (Independent Director)
Lawrence Kwan (Independent Director)

JOINT COMPANY SECRETARIES

Wong Chi Cheung, Clarence
Chan Lai Yin

REGISTERED OFFICE

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

BERMUDA COMPANY REGISTRATION NUMBER

32514

PRINCIPAL OFFICE

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

BERMUDA SAHRE REGISTRAR AND SHARE TRANSFER AGENT

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

LEGAL ADVISORS

Morgan Lewis Stamford LLC
F. Zimmern & Co

REGISTRAR FOR THE SINGAPORE SHARE TRANSFER AGENT

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

AUDITORS

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central, Hong Kong
(Partner-in-charge: Gary Wong Appointment date:
since financial year ended 30 June 2011)

INVESTOR RELATIONS

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

PRINCIPAL BANKERS

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

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

Australia and New Zealand Banking Group Limited
22nd Floor, Three Exchange Square
8 Connaught Place, Central, Hong Kong

China Construction Bank (Asia) Corporation Limited
3rd Floor CCB Tower, 3 Connaught Road Central
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. They also are committed to ensuring that its policies and practices in the critical areas of financial reporting and corporate governance meet high levels of disclosure and compliance to protect and enhance the interests of the stakeholders of the Company. Process and procedures have been instituted and are being constantly reviewed and revised to ensure effective corporate governance.

The Company requires that all directors, senior executives and employees act ethically and responsibly at all times.

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 2015, the Group has adhered to the principles and guidelines as set out in the Code of Corporate Governance 2012 (the "**2012 Code**"), except where otherwise stated. The Board will continue to improve with developments by enhancing its principles and framework.

This report outlines the corporate governance practices adopted by the Group, embodying the principles of the 2012 Code.

BOARD MATTERS

PRINCIPLE 1 – BOARD'S CONDUCT OF ITS AFFAIRS

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

The Board has adopted the Board Terms of Reference which sets out the principal roles of the Board, functions, responsibilities and power of the Board and various Board Committees of the Company.

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

- Provide entrepreneurial leadership, set strategic objectives and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

- Establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;

- Review management performance; and

- Set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met.

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

REPORT ON CORPORATE GOVERNANCE

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

The Board will meet at least twice a year. Ad-hoc meetings are convened when circumstances require. Minutes of all Board Committees and Board meetings are circulated to members for review and confirmation. These minutes enable Directors to be kept abreast of matters discussed at such meetings. The number of the Board and the Board committees meetings held and the attendance of each Director during FY2015 are set out as follows:

ATTENDANCE OF MEMBERS AT MEETINGS OF THE BOARD AND THE BOARD COMMITTEES HELD DURING FY2015

	Board		Audit and Risk Management committee		Nominating committee		Remuneration committee	
Name of director	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended
Mr. Ng Kin Wing, Raymond (Executive Chairman and CEO)	2	2	–	–	–	–	–	–
Mr. Ng Yuk Wing, Philip (Senior Executive Director)	2	2	–	–	–	–	–	–
Mr. Lee Yiu Chung, Eugene (Chief Operating Officer)	2	2	–	–	–	–	–	–
Prof. Ng Tung Sang (Independent Director)	2	2	2	2	2	2	2	2
Mr. Lim Yew Kong, John (Independent Director)	2	2	2	2	2	2	2	2
Mr. Lawrence Kwan (Independent Director)	2	2	2	2	2	2	2	2

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

REPORT ON CORPORATE GOVERNANCE

New director is provided a formal letter setting out the director's duties and obligations. The Company makes available to each new Director an opportunity to discuss and obtain briefing on the Company's operations to ensure that he is familiar with the Company's business and governance practices and inform each new Director of the Company's policies which affect Directors.

The Directors were updated on major events of the Group by the Management. The Directors were briefed and updated on the business and organization structure of the Group and its strategic plans and objectives from time to time. The Directors were provided sufficient information about 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 FY2015, one training session was provided to Directors by the Company's legal advisor. 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**"). The Directors will also receive updates to the accounting standards from the external auditors. The Company makes available to the Directors, at the Company's cost, training or professionally conducted programmes regarding director responsibilities, changes to the relevant new laws and other matters related to service on the Board.

PRINCIPLE 2 – BOARD COMPOSITION AND BALANCE

The Board comprises six Directors, three of whom are independent. There is an independent element on the Board, with Independent Directors constituting half of the Board. Key information of the Board is found on pages 8 to 10 of the Annual Report.

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

For the purpose of evaluating the true independence of directors who have served beyond nine years from the date of his appointment, the NC had set out the evaluation criteria, which includes among others, review of expression of views independently at all times, objective and constructive challenge to assumptions and viewpoints by the Management and involvement in deliberations at Boardroom. The Board also considered the need for progressive refreshing of the Board. The NC had conducted a rigorous evaluation on Mr. Lim Yew Kong, John and Prof. Ng Tung Sang who have served beyond nine years. The Board has benefited greatly from the presence of Mr. Lim Yew Kong, John and Prof. Ng Tung Sang who have over time gained valuable insight into the Group and as a result provided the Board with discussions containing their objective, constructive and independent views. The Board agreed that the progressive refreshing of the Board should come around the concept of performance management within a culture that demands accountability of directors and future needs of the Board for long-term success of the Company. The independence of Mr. Lim Yew Kong, John and Prof. Ng Tung Sang was not in any way affected or impaired by the length of service. The Board is satisfied that Mr. Lim Yew Kong, John and Prof. Ng Tung Sang have remained independent in their judgement and can continue to discharge their duties objectively. No NC member is involved in the deliberation in respect of his independence.

REPORT ON CORPORATE GOVERNANCE

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

The Board is of the view that the current Board consists of the appropriate mix of expertise and experience to provide the necessary guidance to lead and direct the Group. Qualifications and experiences of the Board members are set out on pages 8 to 10 of the Annual Report. The Board will constantly examine its size with a view of determining its impact on its effectiveness.

Independent Directors review the performance of the management of the Company. To facilitate a more effective check on management performance, Independent Directors meet regularly, at least once annually, without management present.

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 which in summary, the Independent Director is to promote the best interests of minority shareholders and as a whole, promote the interests of all shareholders.

PRINCIPLE 3 – EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Ng Yuk Wing, Philip ("**Mr. Philip Ng**") has stepped down as Executive Chairman at the Annual General Meeting held on 9th October 2014 ("**2014 AGM**") as part of the succession plan for the Chairman. Mr. Philip Ng has been designated as Senior Executive Director and will continue to contribute to the Board in the new role with his entrepreneurial leadership and experiences.

Mr. Ng Kin Wing, Raymond ("**Mr. Raymond Ng**") has been appointed as Executive Chairman and Chief Executive Officer ("**CEO**") of the Company. Mr. Raymond Ng is one of the founders of the Group and has over 30 years of experience in the components distribution business.

Mr. Philip Ng is a brother of Mr. Raymond Ng and both of them are founders of the Group. The roles of the Chairman and CEO were set out in the Board Terms of Reference.

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

REPORT ON CORPORATE GOVERNANCE

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

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

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

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

The Board has written terms of reference for the Lead Independent Director ("**LID**") that describes the responsibilities and authority of a LID. Mr. Lawrence Kwan has replaced Prof. Ng Tung Sang as LID effective from the 2014 AGM. The LID shall be available to the shareholders where they have concerns which contact through the normal channels of the Executive Chairman and CEO has failed to resolve or for which such contact is inappropriate.

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

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 4 – BOARD MEMBERSHIP

Nominating Committee ("NC")

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

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

The NC is responsible for:

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

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

The duties and responsibilities of the executive directors are clearly set out in their service agreements.

REPORT ON CORPORATE GOVERNANCE

The Board is responsible for the training needs of the Company's Directors. During FY2015, the Directors have been briefed on the latest proposed changes and developments such as updates on the relevant laws and regulations, changes in technology and industrial practice relating to the Company's business as well as the Company's strategic directions. The NC and the Board have agreed to review training programmes for the Board.

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

In accordance with the provisions of the Company's Bye-Laws, one-third of the Directors shall retire from office at every AGM and each Director shall retire at least once every 3 years. A retiring director shall be eligible for re-election at the said AGM. The NC had identified Mr. Lee Yiu Chung, Eugene and Prof. Ng Tung Sang for re-appointment at the forthcoming AGM. Their profile is shown on page 9 of the Annual Report.

The NC considered an independent director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers that would interfere with the exercise of the Directors' independent business judgement, which is in the best interest of the Company. On an annual basis, each director is required to submit a return on his independence to the Company Secretary. The NC shall review the returns and determine whether the director is to be considered independent. During the year, the NC had reviewed and determined that Prof. Ng Tung Sang, Mr. Lim Yew Kong, John and Mr. Lawrence Kwan are Independent Directors of the Company.

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. Each of the non-executive directors is aware that he should commit sufficient time, attention, resources and expertise to the affairs of the Company. These Directors would widen the experience of the Board and give it a broader perspective.

Presently, the Company does not have alternate director.

REPORT ON CORPORATE GOVERNANCE

Particulars of Directors as at 30 June 2015

Name of director	Date of first appointment	Date of last re-election	Nature of appointment	Membership of Board committees	Directorship/ chairmanship of both present and those held over the preceding three years in other listed company
Mr. Ng Kin Wing, Raymond (Executive Chairman and Chief Executive Officer)	05.09.2002	9.10.2014	Executive Chairman, Chief Executive Officer and Executive Director	None	None
Mr. Ng Yuk Wing, Philip (Senior Executive Director)	05.09.2002	24.10.2013	Senior Executive Director	None	None
Mr. Lee Yiu Chung, Eugene (Chief Operating Officer)	26.01.2003	19.10.2012	Chief Operating Officer and Executive Director	None	None
Prof. Ng Tung Sang (Independent Director)	20.01.2005	19.10.2012	Independent Director	Chairman of Nominating Committee and a Member of Audit and Risk Management Committee and Remuneration Committee	None
Mr. Lim Yew Kong, John (Independent Director)	20.01.2005	24.10.2013	Independent Director	Chairman of Audit and Risk Management Committee and a Member of Remuneration Committee and Nominating Committee	North Asia Resources Holdings Limited (HKEX) (Resigned on 31.03.2014) Global Invacom Group Limited (SGX) Zico Holdings Inc. (SGX) (Appointed on 7 August 2014)
Mr. Lawrence Kwan (Independent Director)	13.07.2012	9.10.2014	Independent Director	Chairman of Remuneration Committee and a Member of Audit and Risk Management Committee and Nominating Committee	None

PRINCIPLE 5 – BOARD PERFORMANCE

The NC has adopted a formal process and assessed the effectiveness of the Board as a whole and its Board Committees and each individual director to the effectiveness of the Board for FY2015. During FY2015, the Board had reviewed the performance criteria to include evaluation on matters relating to risk management. Some of the factors considered relates to Board's conduct of affairs, Board information on provision of sufficient information for major long-term trends and strategic alternatives and accountability to effectively identify, assess and respond to significant risks. The Group has conducted Board-approved evaluation process and performance criteria for such evaluation and determination.

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

REPORT ON CORPORATE GOVERNANCE

The assessment process involves and includes input from the Board members, applying the performance criteria recommended by the NC and approved by the Board. The Directors' input are collated and reviewed by the Chairman of the NC, who presents a summary of the overall assessment to the NC for review. The NC would discuss areas where the Board's performance and effectiveness could be enhanced and recommendations for improvement are then submitted to the Board for discussion and for implementation.

During the year, the Board's performance was evaluated and concluded by the Board that it has been acting in a way to allow the Directors to focus on "partnering" with Management for long-term success of the Company. The NC Chairman presented the key summary of the overall assessment. The Directors discussed on the strategic planning process, business objectives and risk management and the Management, represented by the Executive Chairman and CEO, Senior Executive Director and Chief Operating Officer ("**COO**"), provides insight on the business and industry with the objective of finding opportunities for improvement. 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.

PRINCIPLE 6 – ACCESS TO INFORMATION

The Board is furnished with Board papers prior to any Board meeting. These papers are issued in sufficient time to enable the Directors to obtain additional information or explanations from the management, if necessary. The Board papers include minutes of the previous meeting, financial results announcements, and reports from committees, internal and external auditors. Each director reviews all materials provided by the Company relating to matters to be considered at the meetings. Summary of financial data would be provided by Management to the Board on quarterly basis. The Directors may communicate directly with the management team and company secretary on all matters whenever they deem necessary.

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

The Company Secretaries administer, attend and prepare minutes of Board and Board Committee meetings. The Chairman of all Board and Board Committees will be assisted by the Company Secretaries in ensuring that procedures are followed and reviewed so that the Board and the Board Committees functions effectively and ensures that the Company's Bye-Laws and relevant rules and regulations, including the Listing Manual of the SGX-ST are complied with. During FY2015, the Company Secretaries attended all Board meetings. The Company Secretaries also act as the primary channel of communication between the Company and the SGX-ST. The appointment and removal of the Company Secretaries are subject to the Board's approval.

REMUNERATION COMMITTEE ("RC")

PRINCIPLE 7 – PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

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

REPORT ON CORPORATE GOVERNANCE

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

- recommending to the Board a framework of remuneration for the Board and the key executives of the Group covering all aspects of remuneration such as Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;

- proposing to the Board, appropriate and meaningful measures for assessing the Executive Directors' performance;

- determining the specific remuneration packages for each Executive Director;

- considering the eligibility of Directors for benefits under long-term incentive schemes; and

- considering and recommending to the Board the disclosure of the details of the Company's remuneration, specific remuneration packages of the Directors and key executives of the Company to those required by law or by the 2012 Code.

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

If necessary, the RC shall seek expert advice on remuneration of all directors. The RC shall 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.

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. During FY2015, the Company has issued 850,000 new ordinary shares upon the exercise of options under the 2005 ESOS. No options were granted under the 2005 EOSO during FY2015. The share options outstanding as at 30 June 2015 was 350,000 which could be convertible to 350,000 ordinary shares of the Company upon exercise.

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

REPORT ON CORPORATE GOVERNANCE

The RC also administers the Karin Performance Share Plan (the "**Share Plan**") in accordance with the Rules of the Share Plan approved by Shareholders on 21 October 2010. The key objectives of the Share Plan are to motivate eligible participants to optimise their performance standards and efficiency and to reward them for their significant contributions with participation in the equity of the Company. Group Employees and non-executive directors are eligible to participate in the Share Plan. No member of the RC shall be involved in any deliberation of Awards to be granted to him. During FY2015, the RC had not distributed any treasury shares. Subsequent to the FY2015, the Board on the recommendation of the RC had distributed 500,000 treasury shares to key executives other than Directors and senior staff members as extra bonus for achieving the Performance Target pursuant to the Share Plan.

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

On 21 October 2010, shareholders have approved the participation in the Share Plan by the respective controlling shareholder, Mr. Philip Ng and Mr. Raymond Ng. The Company is required to seek a specific and separate approval from independent shareholders at a general meeting to approve the specific number of shares and terms of the Share Plan to be granted. During FY2015, the Company did not convene a general meeting on the grant of specific number of shares under the Share Plan to Mr. Philip Ng or Mr. Raymond Ng.

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

PRINCIPLE 8 – LEVEL AND MIX OF REMUNERATION

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

The remuneration package, included with long-term incentive schemes such as 2014 ESOS and Share Plan, are set to ensure that it is competitive and sufficient to attract, retain and motivate directors and key executive officers of the required experience and expertise to run the Company successfully.

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

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

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

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 9 – DISCLOSURE ON REMUNERATION

The annual remuneration band of each individual Director and the top 5 key executives for the financial year ended 30 June 2015 are set out below:

Directors' Remuneration

Name of director	Remuneration Band	Director's fee %	Salary & benefit %	Variable Bonus %	Grant of share options %	Total %
Mr. Ng Yuk Wing, Philip	III	–	56.8	43.2	–	100.0
Mr. Ng Kin Wing, Raymond	III	–	57.0	43.0	–	100.0
Mr. Lee Yiu Chung, Eugene	II	–	61.2	38.8	–	100.0
Prof. Ng Tung Sang	I	100.0	–	–	–	100.0
Mr. Lim Yew Kong, John	I	100.0	–	–	–	100.0
Mr. Lawrence Kwan	I	100.0	–	–	–	100.0

Top 5 Key Executives' Remuneration

Name of key executive	Remuneration Band	Salary & benefit %	Variable Bonus %	Grant of share options %	Total %
Mr. Chong Shi Fan, Stephen	I	82.8	17.2	–	100.0
Mr. Leung Yiu Chown, Desmond	II	64.1	35.9	–	100.0
Mr. Mok Pui Wah, Kenneth	I	86.3	13.7	–	100.0
Mr. Ng Kam Wing, Allan(*)	I	77.4	22.6	–	100.0
Ms. Ng Shuk Yi, Louisa	I	77.9	22.1	–	100.0

NOTES:

Band I : S$0 to S$249,999
Band II : between S$250,000 to S$499,999
Band III : between S$500,000 to S$749,999

(*) Mr. Ng Kam Wing, Allan, Chief Technology Officer of the Group, is an immediate family member of the Executive Chairman and CEO and the Senior Executive Director. His remuneration is between S$150,000 to S$199,999.

For competitive reasons, the Company is not disclosing each individual Director's remuneration. Instead, the Company is disclosing remuneration of each Director in bands of S$250,000. To maintain confidentiality of staff remuneration and to prevent poaching of key management personnel, the Company shall not disclose the aggregate remuneration paid to the key management personnel of the Group in this report. There has been no change for the key executives for the past few years.

Key executives' remuneration is set in accordance with a remuneration framework comprising salary (including basic salary and benefits-in-kind), and variable payments.

Details of the 2014 ESOS are set out in note 27 to the financial statements.

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 10 – ACCOUNTABILITY

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

The Board takes adequate steps to ensure compliance with legislative and regulatory requirements.

The Board accepts that it is accountable to the shareholders while the management is accountable to the Board. Management provides all members of the Board with a balanced and understandable key financial data with such information and explanation on a quarterly basis. Furthermore, the Management has been providing all the Executive Directors with monthly consolidated financial reports.

PRINCIPLE 11 – INTERNAL CONTROLS

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

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

The Board, with the assistance of the Audit and Risk Management Committee ("**ARMC**"), assesses the effectiveness of the system of internal controls established and maintained by the Group, addressing financial, operational and compliance risks, by considering reviews performed by the management and the internal assessment report performed by internal audit staff from the Internal Audit Department. The internal audit staff reviews the effectiveness of the system of internal controls established and maintained by the Group and assessment reports are being presented to the ARMC regularly. The key executives hold monthly management meeting to discuss issues on business risks and its assessments. The Board reviews the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology risks as well as risk management systems. Based on the reports presented, the Board, with the concurrence of the ARMC, is of the opinion that the system of internal controls established and maintained by the Group addressing financial, operational, compliance and information technology risks as well as risk management systems, were adequate to meet the needs of the Group in its current business environment. The controls relating to information technology was reviewed by the internal audit staff and reviewed by the ARMC during FY2015.

The Board collectively oversees risk management and does not have a separate risk committee.

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

REPORT ON CORPORATE GOVERNANCE

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

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

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

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

The role of the ARMC is to assist the Board with discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records and, develop and maintain effective system of internal controls. The ARMC has 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 independence of the Company's external auditors;
- review the co-operation given by the Company's officers to the external auditors;
- review adequacy of the effectiveness of the Group's internal controls;
- nominate external auditors for re-appointment;
- review interested person transactions, if any; and
- review Whistle-Blowing Policy.

Under the year reported on, the ARMC has reviewed all non-audit services provided by Ernst & Young, Hong Kong ("**E&Y**"). Non-audit fees for FY2015 paid to E&Y were HK$246,500 (FY2014: HK$250,100). The ARMC is satisfied that such services would not affect their independence.

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

REPORT ON CORPORATE GOVERNANCE

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

Name of significant subsidiaries and associated companies	Name of auditing firm
New Spirit Electronic Technology Development (Shenzhen) Company Limited	Wongga Partners Certified Public Accountants (SZ) General Partner
Karin Electronic Trading (Shenzhen) Company Limited	Wongga Partners Certified Public Accountants (SZ) General Partner
Karin International Trading (Shanghai) Company Limited	Shanghai JiaLiang CPAs
Karltec Information System (Shenzhen) Company Limited	Wongga Partners Certified Public Accountants (SZ) General Partner
Matrix Power Technology (Shenzhen) Co. Ltd.	Shenzhen Leinuo Certified Public Accountants
I M I Kabel Pte. Ltd.	KBH Integra PAC
Shanghai Cosel International Trading Co. Ltd.	Shanghai Xin Zheng Guang Certified Public Accountants

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

The ARMC met, including but not limited to telephone conference, with the external auditors without the Company's Management, at least once annually.

The ARMC had established a written whistle-blowing policy, by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Whistle-blower 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 member or two of the senior management is the channel for reporting of suspicious non-compliance or improprieties. The ARMC obtained quarterly update on the status of whistle-blowing.

The ARMC has reasonable resources to enable it to discharge its functions properly. The ARMC is updated annually on any changes in accounting standards by the external auditors. No former partner or director of the Company's existing auditing firm is a member of the ARMC.

PRINCIPLE 13 – INTERNAL AUDIT

The Company has established an Internal Audit Department and employed a full time Internal Auditor ("**IA**") to perform the internal audit function and to improve the system and processes of internal controls of the Company. IA primarily reports to the Chairman of ARMC.

The ARMC has bi-annually reviewed the internal audit programme, the scope and results of internal audit procedures. The ARMC reviews the adequacy and effectiveness of the internal audit function. The ARMC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company. The ARMC is also satisfied that the IA is staffed by suitably qualified and experienced personnel.

REPORT ON CORPORATE GOVERNANCE

COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 14 – SHAREHOLDER RIGHTS

In line with the continuing disclosure obligations of the Company pursuant to the Listing Rules of the SGX-ST, the Board's policy is that shareholders should be informed promptly of all major developments that impact the Group.

The AGM of the Company is the principal forum for dialogue and interaction with all shareholders. 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.

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.

PRINCIPLE 15 – COMMUNICATION WITH SHAREHOLDERS

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

The Company has appointed an Investor Relations ("**IR**") firm in Singapore to handle all its investor relations affairs, including but not limited to establish and maintain regular dialogue with shareholders. 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 on the Group. The website provides a business profile, corporate announcements, press releases, annual reports and other information of the Group.

The Board may from time to time review the provisions of the existing Bye-laws of the Company to ensure they are in line with the good corporate governance practices as recommended by the 2012 Code. If the Board deems fit, it may propose any necessary amendment to the same to the shareholders for approval.

In its consideration for dividend payment, the Company takes into account, among other factors, current cash position, future cash needs, profitability, retained earnings and business outlook. The Company takes the view that, committing to a fixed dividend policy, may jeopardize its financial position in times of adverse changes in market conditions. Hence it does not have a fixed dividend policy. Nevertheless, it has been making dividend payments each and every year since its public listing in 2005. For FY2015, in addition to the already paid HK8.6 cents per share interim dividend (tax not applicable), the Company is recommending a final dividend of HK9.0 cents per share (tax not applicable), subject to approval by shareholders at the Annual General Meeting.

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 16 – CONDUCT OF SHAREHOLDER MEETINGS

The Company holds its AGM in Singapore. The Board welcomes shareholders to voice out their views and direct questions regarding the Group at the AGM. The members of the Board and the Board Committees, senior management and external auditors would be present at the AGM to answer questions from shareholders.

Minutes of general meetings include substantial and relevant queries or comments from shareholders discussed in the AGM relating to the agenda of the meeting and responses from the Board and management. These minutes would be available to shareholders upon their request.

The Company will put all resolutions to vote by poll at the forthcoming AGM and release an announcement on the detailed results.

DEALINGS IN SECURITIES

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

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

MATERIAL CONTRACTS

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

INTERESTED PERSON TRANSACTIONS

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

There was no transaction with interested persons during the financial year ended 30 June 2015 that exceeded the stipulated thresholds as specified in Chapter 9 of the Listing Manual of the SGX-ST.

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 as well as appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the ARMC.

WHISTLE-BLOWING POLICY AND PROCEDURES

The Group has established a whistle-blowing policy and appropriate procedures have been developed to provide a proper process within the Group for reporting malpractices, illegal acts or acts of omission that employees may encounter at work. No reporting for any of such incidents happened during the financial year ended 30 June 2015. 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.

Financial Contents

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 2015.

DIRECTORS

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

EXECUTIVE DIRECTORS:

Mr. Ng Kin Wing, Raymond – Executive Chairman and Chief Executive Officer
Mr. Ng Yuk Wing, Philip – Senior Executive Director
Mr. Lee Yiu Chung, Eugene – Chief Operating Officer

INDEPENDENT DIRECTORS:

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

In accordance with the bye-laws of the Company, Mr. Lee Yiu Chung, Eugene and Prof. Ng Tung Sang will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in notes 1 and 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

Details of the results of the Group for the year ended 30 June 2015 and the financial position of the Company and of the Group at that date are set out in the financial statements on pages 47 to 114.

An interim dividend of HK$0.086 per ordinary share with a total amount of approximately HK$18,423,000 was paid on 12 March 2015. The directors of the Company proposed a final dividend for the year ended 30 June 2015 of HK$0.09 per ordinary share with a total amount of approximately HK$19,297,000. This recommendation is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

REPORT OF THE DIRECTORS

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: At the beginning of the financial year	Direct interest: At the end of the financial year	Deemed interest: At the beginning of the financial year	Deemed interest: At the end of the financial year
The Company				
(ordinary shares of HK$0.10 each)				
Mr. Ng Kin Wing, Raymond	–	–	70,639,950	70,639,950
Mr. Ng Yuk Wing, Philip	–	–	71,881,950	72,051,950
Mr. Lee Yiu Chung, Eugene	5,395,000	–	–	5,995,000
Prof. Ng Tung Sang	100,000	100,000	–	–
Mr. Lim Yew Kong, John	100,000	100,000	–	–
	5,595,000	200,000	142,521,900	148,686,900
(options to subscribe for ordinary shares of HK$0.10 each)				
Mr. Lee Yiu Chung, Eugene	600,000	–	–	–

Mr. Ng Yuk Wing, Philip and Mr. Ng Kin Wing, Raymond, 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 2015, being 21 days from the end of the financial year.

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

DIRECTORS' CONTRACTUAL BENEFITS

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

REPORT OF THE DIRECTORS

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.

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

As at 30 June 2015, the following directors holding office had interests in the options to subscribe for ordinary shares of the Company:

	Number of unissued ordinary shares of HK$0.10 each under options held by directors				
Name of directors	Exercise price Singapore dollar ("S$")	Options granted during the financial year under review	Aggregate options granted since commencement of the 2005 ESOS to end of the financial year under review	Aggregate options exercised since commencement of the 2005 ESOS to end of the financial year under review	Aggregate options outstanding as at end of the financial year under review
Mr. Lee Yiu Chung, Eugene	0.1264	–	2,000,000	(2,000,000)	–
(Executive director)	0.1608	–	2,000,000	(2,000,000)	–
		–	4,000,000	(4,000,000)	–
Prof. Ng Tung Sang (Independent director)	0.1264	–	100,000	(100,000)	–
Mr. Lim Yew Kong, John (Independent director)	0.1264	–	100,000	(100,000)	–
		–	4,200,000	(4,200,000)	–

REPORT OF THE DIRECTORS

As at 30 June 2015, the employees who received 5% or more of the total number of options granted pursuant to the 2005 ESOS are as below:

	Number of unissued ordinary shares of HK$0.10 each under options held by employees				
Name of employee	Exercise price ("S$")	Options granted during the financial year under review	Aggregate options granted since commencement of the 2005 ESOS to end of the financial year under review	Aggregate options exercised since commencement of the 2005 ESOS to end of the financial year under review	Aggregate options outstanding as at end of the financial year under review
Mr. Cheng Pak Cheong, Ray	0.1264	–	1,000,000	(1,000,000)	–
	0.1608	–	1,000,000	(1,000,000)	–
		–	2,000,000	(2,000,000)	–
Mr. Mok Pui Wah, Kenneth	0.1264	–	1,000,000	(1,000,000)	–
	0.1608	–	1,000,000	(1,000,000)	–
		–	2,000,000	(2,000,000)	–
Mr. Chong Shi Fan, Stephen	0.1264	–	100,000	(100,000)	–
	0.1608	–	200,000	(200,000)	–
	0.1060	–	700,000	(700,000)	–
		–	1,000,000	(1,000,000)	–
		–	5,000,000	(5,000,000)	–

During the year under review, no share option was granted pursuant to the 2005 ESOS and 850,000 share options were exercised. Further details of the 2005 ESOS are set out in note 27 to the financial statements.

Pursuant to a resolution passed at the annual general meeting held on 9 October 2014, the 2005 ESOS was cancelled and the 2014 Karin Employee Share Option Scheme (the "**2014 ESOS**") has been adopted. During the year under review, no share option was granted pursuant to the 2014 ESOS and no share options were exercised. Further details of the 2014 ESOS are set out in note 27 to the financial statement.

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

In the prior financial year, on 7 May 2014, 710,000 treasury shares were awarded to employees of the Group as extra bonus for achieving specific target under the Plan. The aggregate market price of the treasury shares on the date of the grant were S$216,550.

During the current financial year, no treasury share was awarded.

As at 30 June 2015, 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.

Subsequent to the current reporting date, on 24 July 2015, all the outstanding 500,000 treasury shares as at 30 June 2015 were distributed to key executives other than Directors as extra bonus for achieving the Performance Target pursuant to the Plan.

Since the commencement of the Plan, an aggregate of 5,635,000 shares have been awarded to employees of the Group.

REPORT OF THE DIRECTORS

AUDIT AND RISK MANAGEMENT COMMITTEE

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

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

The Audit and Risk Management Committee performs the functions specified in the Listing Manual and the Best Practice Guide of the Singapore Exchange Securities Trading Limited, and the Code of Corporate Governance 2012. The functions performed are detailed in the Report on Corporate Governance on pages 19 to 36 of the Annual Report.

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

AUDITORS

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

On behalf of the board of directors:

Ng Kin Wing, Raymond
Executive Chairman and CEO

Ng Yuk Wing, Philip
Senior Executive Director

29 September 2015

STATEMENT BY DIRECTORS

We, Ng Kin Wing, Raymond, and Ng Yuk Wing, Philip 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 47 to 114 are drawn up so as to present fairly, in all material respects, the financial position of the Company and of the Group as at 30 June 2015 and of the results of the business, changes in equity and cash flows of the Group for the year then ended, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors:

Ng Kin Wing, Raymond
Executive Chairman and CEO

Ng Yuk Wing, Philip
Senior Executive Director

29 September 2015

INDEPENDENT AUDITORS' REPORT

EY 安永

To the shareholders of Karin Technology Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Karin Technology Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 47 to 114, which comprise the consolidated and company statements of financial position as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group and the Company as at 30 June 2015, and the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

29 September 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	**3,243,374**	3,079,430
Cost of sales		**(2,964,437)**	(2,866,479)
Gross profit		**278,937**	212,951
Other income and gains, net	5	**4,594**	7,483
Selling and distribution costs		**(82,952)**	(80,299)
Administrative expenses		**(96,840)**	(87,154)
Other expenses, net		**(3,282)**	(205)
Finance costs	7	**(1,939)**	(2,016)
Share of profit of an associate	15(b)	**294**	111
PROFIT BEFORE TAX	6	**98,812**	50,871
Income tax expense	8	**(18,650)**	(10,908)
PROFIT FOR THE YEAR		**80,162**	39,963
Other comprehensive income			
Item to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**1,490**	232
Item not to be reclassified to profit or loss in subsequent periods:			
Revaluation of land and buildings, net of deferred tax	11	**35,713**	23,577
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**37,203**	23,809
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**117,365**	63,772
Profit for the year attributable to:			
Owners of the Company		**62,877**	37,449
Non-controlling interests		**17,285**	2,514
		80,162	39,963
Total comprehensive income attributable to:			
Owners of the Company		**99,910**	61,288
Non-controlling interests		**17,455**	2,484
		117,365	63,772
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY (HK cents)	10		
Basic		**29.4**	17.6
Diluted		**29.4**	17.6

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**402,634**	370,642
Investment properties	12	**23,433**	23,480
Goodwill	13	**2,098**	2,098
Investment in an associate	15	**797**	498
Deferred tax assets	25	**971**	514
Factored trade receivable	18	**532**	1,064
Prepayments	19	**598**	6,730
Total non-current assets		**431,063**	405,026
CURRENT ASSETS			
Inventories	16	**213,013**	158,934
Trade and bills receivables	17	**410,500**	358,901
Factored trade receivables	18	**532**	1,308
Prepayments, deposits and other receivables	19	**53,456**	45,690
Forward currency contracts	20	**809**	1,026
Cash and cash equivalents	21	**138,627**	90,400
Total current assets		**816,937**	656,259
CURRENT LIABILITIES			
Trade payables	22	**230,970**	148,787
Other payables and accruals	22	**130,573**	88,212
Income tax payable		**18,865**	12,038
Interest-bearing bank and other borrowings	23	**142,396**	168,092
Total current liabilities		**522,804**	417,129
NET CURRENT ASSETS		**294,133**	239,130
TOTAL ASSETS LESS CURRENT LIABILITIES		**725,196**	644,156
NON-CURRENT LIABILITIES			
Other borrowings	23	**1,246**	2,649
Deferred tax liabilities	25	**57,462**	50,337
Total non-current liabilities		**58,708**	52,986
Net assets		**666,488**	591,170

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*26*	**21,441**	21,356
Treasury shares	*26*	**(888)**	(359)
Reserves	*28(a)*	**623,287**	557,780
		643,840	578,777
Non-controlling interests		**22,648**	12,393
Total equity		**666,488**	591,170

Ng Kin Wing, Raymond
Executive Chairman and CEO

Ng Yuk Wing, Philip
Senior Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2015

		Attributable to owners of the Company											
	Notes	Issued capital HK$'000	Treasury shares HK$'000	Share premium account HK$'000	Contributed surplus (Note 28 (a)(i)) HK$'000	Share option reserve HK$'000	Land and buildings revaluation reserve (Note 28 (a)(ii)) HK$'000	General reserve (Note 28 (a)(iii)) HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2013		21,221	(71)	42,653	898	946	199,430	2,752	11,194	268,230	547,253	10,909	558,162
Profit for the year		–	–	–	–	–	–	–	–	37,449	37,449	2,514	39,963
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	262	–	262	(30)	232
Fair value revaluation of land and buildings, net of deferred tax	*11*	–	–	–	–	–	23,577	–	–	–	23,577	–	23,577
Total comprehensive income for the year		–	–	–	–	–	23,577	–	262	37,449	61,288	2,484	63,772
Issue of shares under the 2005 ESOS	*26*	135	–	1,699	–	(504)	–	–	–	–	1,330	–	1,330
Purchase of own shares and held as treasury shares	*26*	–	(1,596)	–	–	–	–	–	–	–	(1,596)	–	(1,596)
Distribution of treasury shares	*26*	–	1,308	35	–	–	–	–	–	–	1,343	–	1,343
Capital contribution by a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	5,200	5,200
Final 2013 dividend paid	9	–	–	–	–	–	–	–	–	(19,778)	(19,778)	–	(19,778)
Interim 2014 dividend paid	9	–	–	–	–	–	–	–	–	(11,063)	(11,063)	–	(11,063)
Dividends paid to a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	(6,200)	(6,200)
At 30 June 2014		21,356	(359)	44,387*	898*	442*	223,007*	2,752*	11,456*	274,838*	578,777	12,393	591,170

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2015

		Attributable to owners of the Company											
	Notes	Issued capital HK$'000	Treasury shares HK$'000	Share premium account HK$'000	Contributed surplus (Note 28 (a)(i)) HK$'000	Share option reserve HK$'000	Land and buildings revaluation reserve (Note 28 (a)(ii)) HK$'000	General reserve (Note 28 (a)(iii)) HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2014		21,356	(359)	44,387	898	442	223,007	2,752	11,456	274,838	578,777	12,393	591,170
Profit for the year		–	–	–	–	–	–	–	–	62,877	62,877	17,285	80,162
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	1,320	–	1,320	170	1,490
Fair value revaluation of land and buildings, net of deferred tax	*11*	–	–	–	–	–	35,713	–	–	–	35,713	–	35,713
Total comprehensive income for the year		–	–	–	–	–	35,713	–	1,320	62,877	99,910	17,455	117,365
Issue of shares under the 2005 ESOS	*26*	85	–	1,037	–	(308)	–	–	–	–	814	–	814
Purchase of own shares and held as treasury shares	*26*	–	(529)	–	–	–	–	–	–	–	(529)	–	(529)
Capital contribution by a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	2,000	2,000
Final 2014 dividend paid	*9*	–	–	–	–	–	–	–	–	(16,709)	(16,709)	–	(16,709)
Interim 2015 dividend paid	*9*	–	–	–	–	–	–	–	–	(18,423)	(18,423)	–	(18,423)
Dividends paid to a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	(9,200)	(9,200)
Transfer between reserves		–	–	–	–	–	–	32	–	(32)	–	–	–
At 30 June 2015		21,441	(888)	45,424*	898*	134*	258,720*	2,784*	12,776*	302,551*	643,840	22,648	666,488

* These reserve accounts comprise the consolidated reserves of HK$623,287,000 (2014: HK$557,780,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**98,812**	50,871
Adjustments for:			
Bank interest income	*5*	**(1,120)**	(973)
Fair value losses/(gains) on investment properties	*6*	**202**	(114)
Fair value loss on revaluation of land and buildings	*6*	**921**	–
(Reversal of write-down)/write-down of inventories to net realisable value and write-off of obsolete inventories	*6*	**(3,229)**	1,207
Depreciation	*6*	**36,856**	31,340
Fair value losses on derivative financial instruments, net	*6*	**217**	1,001
Expense recognised in respect of treasury shares awarded	*6*	**–**	1,343
Impairment/(reversal of impairment) of trade receivables	*6*	**2,336**	(524)
Loss on disposal of items of property, plant and equipment	*6*	**88**	91
Finance costs	*7*	**1,939**	2,016
Share of profit of an associate	*15(b)*	**(294)**	(111)
		136,728	86,147
Decrease/(increase) in inventories		**(50,850)**	11,703
Decrease/(increase) in trade and bills receivables		**(53,935)**	1,133
Decrease/(increase) in factored trade receivables		**1,308**	(2,372)
Decrease/(increase) in prepayments, deposits and other receivables		**(7,766)**	1,633
Increase/(decrease) in trade payables		**82,183**	(48,623)
Increase/(decrease) in other payables and accruals		**42,361**	(2,148)
Cash generated from operations		**150,029**	47,473
Interest on bank and other borrowings paid	*7*	**(1,906)**	(2,006)
Interest element on finance lease rental payments	*7*	**(33)**	(10)
Dividends paid to owners of the Company		**(35,132)**	(30,841)
Dividends paid to a non-controlling shareholder		**(9,200)**	(6,200)
Income tax paid		**(12,661)**	(12,257)
Net cash flows from/(used in) operating activities		**91,097**	(3,841)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
Net cash flows from/(used in) operating activities		**91,097**	(3,841)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of items of property, plant and equipment		**285**	213
Purchases of items of property, plant and equipment		**(19,354)**	(14,281)
Prepayment for acquisition of a property		**–**	(6,730)
Prepayment for leasehold improvement		**(598)**	–
Interest received		**1,120**	973
Decrease/(increase) in time deposits with maturity of more than three months when acquired		**2,796**	(7,638)
Net cash flows used in investing activities		**(15,751)**	(27,463)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of employee share options	*26*	**814**	1,330
Purchase of treasury shares	*26(a)*	**(529)**	(1,596)
New bank and other borrowings		**2,069,814**	2,204,738
Repayment of bank and other borrowings		**(2,097,120)**	(2,187,699)
Capital element of finance lease rental payments		**(147)**	(102)
Capital contribution by a non-controlling shareholder		**2,000**	5,200
Net cash flows (used in)/from financing activities		**(25,168)**	21,871
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**50,178**	(9,433)
Cash and cash equivalents at beginning of financial year		**82,762**	92,287
Effect of foreign exchange rate changes, net		**845**	(92)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		**133,785**	82,762
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits	*21*	**104,937**	68,213
Time deposits	*21*	**33,690**	22,187
Cash and cash equivalents as stated in the consolidated statement of financial position	*21*	**138,627**	90,400
Non-pledged time deposits with original maturity of more than three months when acquired		**(4,842)**	(7,638)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**133,785**	82,762

STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	14	**76,308**	76,308
CURRENT ASSETS			
Amounts due from subsidiaries	14	**50,178**	48,209
Other receivables	19	**–**	147
Cash and bank balances	21	**1,305**	1,565
Total current assets		**51,483**	49,921
CURRENT LIABILITIES			
Accruals	22	**3,434**	2,163
Tax payable		**–**	112
Total current liabilities		**3,434**	2,275
NET CURRENT ASSETS		**48,049**	47,646
Net assets		**124,357**	123,954
EQUITY			
Issued capital	26	**21,441**	21,356
Treasury shares	26	**(888)**	(359)
Reserves	28(b)	**103,804**	102,957
Total equity		**124,357**	123,954

Ng Kin Wing, Raymond
Executive Chairman and CEO

Ng Yuk Wing, Philip
Senior Executive Chairman

NOTES TO FINANCIAL STATEMENTS

30 June 2015

1. CORPORATE INFORMATION

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

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

(i) the distribution of electronic components ("**Components Distribution**");

(ii) the provision of computer data storage management solutions and services ("**IT Infrastructure**"); and

(iii) the distribution and retailing of consumer electronics products ("**Consumer Electronics Products**").

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") as issued by the International Accounting Standards Board (the "**IASB**"). They have been prepared on a historical cost basis, except for investment properties, leasehold land and buildings, and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 June 2015. 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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time in the financial statements for the financial year ended 30 June 2015.

Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities*
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs

Except for the amendment to IFRS 1 included in *Annual Improvements 2011-2013 Cycle* which is only relevant to an entity's first IFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27. The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.

(b) The IAS 19 Amendments requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments have had no impact on the Group as none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

(c) The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(d) The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(e) IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of IFRIC 21.

(f) The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

- The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

- The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no impact on the Group.

- The IFRS 8 Amendment clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

- The IAS 16 Amendment is applied retrospectively and clarifies that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

- The IAS 24 Amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(g) The *Annual Improvements to IFRSs 2011-2013 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

- The IFRS 13 Amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

- The IAS 40 Amendment clarifies that the description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

2.3 IMPACT OF 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.

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[4]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 January 2018
[4] Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

NOTES TO FINANCIAL STATEMENTS

30 June 2015

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 July 2016.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 July 2016.

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 July 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements in five areas, including materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments further encourage entities to apply professional judgement in determining what information to disclose and how to structure the disclosure in the financial statements. The Group expects to adopt the amendments from 1 July 2016.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 July 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSIDIARIES

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 results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

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

The result of the associate is included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investment in an associate is treated as non-current asset and is stated at cost less any impairment losses.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

30 June 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

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, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

RELATED PARTIES

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

(a) the party is a person or a close member of that person's family and that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group;

or

(b) the party is an entity where any of the following conditions applies:

   (i) the entity and the Group are members of the same group;

   (ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);

   (iii) the entity and the Group are joint ventures of the same third party;

   (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

   (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

   (vi) the entity is controlled or jointly controlled by a person identified in (a); and

   (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).

NOTES TO FINANCIAL STATEMENTS

30 June 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the land and buildings revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the land and buildings revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Leasehold land and buildings	Over the lease terms or 5%, whichever is shorter
Leasehold improvements	20%
Furniture and fixtures	20%
Office equipment	30%
Motor vehicles	25%

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

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

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

Construction in progress represents renovation works in progress for a building, which is stated at cost less any accumulated impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENT PROPERTIES

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

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

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

LEASES

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

30 June 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

NOTES TO FINANCIAL STATEMENTS

30 June 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERECOGNITION OF FINANCIAL ASSETS

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continue 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 guarantee over the transferred assets is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

IMPAIRMENT OF FINANCIAL ASSETS

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

Financial assets carried at amortised cost

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

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

NOTES TO FINANCIAL STATEMENTS

30 June 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Financial assets carried at amortised cost (continued)

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

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

FINANCIAL LIABILITIES

Initial recognition and measurement

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

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

Subsequent measurement

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

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

DERECOGNITION OF FINANCIAL LIABILITIES

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

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

OFFSETTING OF FINANCIAL INSTRUMENTS

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

NOTES TO FINANCIAL STATEMENTS

30 June 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

TREASURY SHARES

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

INVENTORIES

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

CASH AND CASH EQUIVALENTS

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

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

INCOME TAX

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

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

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

NOTES TO FINANCIAL STATEMENTS

30 June 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

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 an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, 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 a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

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

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

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

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

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

EMPLOYEE BENEFITS

Share-based payments

(a) Share option scheme

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

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

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expenses. 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.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not 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

30 June 2015

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" under IFRS 2).

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

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

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

30 June 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

FOREIGN CURRENCIES

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

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

The functional currencies of certain overseas and Mainland China subsidiaries and an 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 weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

NOTES TO FINANCIAL STATEMENTS

30 June 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

JUDGEMENTS

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

Classification between investment properties and owner-occupied properties

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

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

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

Deferred tax liabilities on unremitted earnings

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

At 30 June 2015 and 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

At 30 June 2015, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised in the consolidated statement of financial position was approximately HK$6,709,000 (2014: HK$5,631,000), details of which are set out in note 25(b) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATION UNCERTAINTY

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

Fair value of investment properties and leasehold land and buildings

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

Write-down of inventories to net realisable value and write-off of obsolete inventories

Management reviews the ageing analysis and condition of inventories of the Group on a product-by-product basis at the end of each reporting period, and write-down the carrying amount of slow-moving inventory items to their respective net realisable values and write-off obsolete inventories identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions at the end of each reporting period.

Impairment assessment of trade receivables

The policy for impairment assessment of trade receivables of the Group is based on the evaluation of collectability and the ageing analysis of trade receivables and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors are to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Fair values of forward currency contracts

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

NOTES TO FINANCIAL STATEMENTS

30 June 2015

4. OPERATING SEGMENT INFORMATION

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

(a) the "Components Distribution" operating segment engages in the distribution and trading of electronic components and cables;

(b) the "IT Infrastructure" operating segment engages in the provision of computer data storage management solutions and services; and

(c) the "Consumer Electronics Products" operating segment engages in the distribution and retailing of consumer electronics products.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

30 June 2015

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 2015				
Segment revenue:				
Sales to external customers	920,018	908,556	1,414,800	3,243,374
Other revenue	544	537	837	1,918
Total	920,562	909,093	1,415,637	3,245,292
Reconciliation:				
Bank interest income				1,120
Others				1,556
Total revenue				3,247,968
Segment results	9,302	36,364	55,673	101,339
Reconciliation:				
Bank interest income				1,120
Fair value losses on investment properties				(202)
Fair value losses on derivative financial instruments, net				(217)
Finance costs				(1,939)
Share of profit of an associate				294
Corporate and other unallocated expenses				(1,583)
Profit before tax				98,812
Segment assets	557,961	236,314	134,389	928,664
Reconciliation:				
Investment in an associate				797
Deferred tax assets				971
Forward currency contracts				809
Cash and cash equivalents				138,627
Corporate and other unallocated assets				178,132
Total assets				1,248,000
Segment liabilities	143,394	141,322	42,209	326,925
Reconciliation:				
Income tax payable				18,865
Interest-bearing bank and other borrowings				143,642
Deferred tax liabilities				57,462
Corporate and other unallocated liabilities				34,618
Total liabilities				581,512
Other segment information:				
Depreciation				36,856
Other non-cash expenses, net	1,913	(3,278)	1,393	28
Capital expenditure				26,438

NOTES TO FINANCIAL STATEMENTS

30 June 2015

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 2014				
Segment revenue:				
Sales to external customers	817,698	932,324	1,329,408	3,079,430
Other revenue	1,343	1,531	2,184	5,058
Total	819,041	933,855	1,331,592	3,084,488
Reconciliation:				
Bank interest income				973
Fair value gains on investment properties				114
Others				1,338
Total revenue				3,086,913
Segment results	9,051	31,401	13,623	54,075
Reconciliation:				
Bank interest income				973
Fair value gains on investment properties				114
Fair value losses on derivative financial instruments, net				(1,001)
Finance costs				(2,016)
Share of profit of an associate				111
Corporate and other unallocated expenses				(1,385)
Profit before tax				50,871
Segment assets	429,018	232,514	100,146	761,678
Reconciliation:				
Investment in an associate				498
Deferred tax assets				514
Forward currency contracts				1,026
Cash and cash equivalents				90,400
Corporate and other unallocated assets				207,169
Total assets				1,061,285
Segment liabilities	82,185	95,390	32,079	209,654
Reconciliation:				
Income tax payable				12,038
Interest-bearing bank and other borrowings				170,741
Deferred tax liabilities				50,337
Corporate and other unallocated liabilities				27,345
Total liabilities				470,115
Other segment information:				
Depreciation				31,340
Other non-cash expenses, net	(763)	(1,804)	2,300	(267)
Capital expenditure				14,731

NOTES TO FINANCIAL STATEMENTS

30 June 2015

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 2015				
Segment revenue:				
Sales to external customers	**2,502,407**	**560,726**	**180,241**	**3,243,374**
Other revenue, excluding bank interest income	**1,742**	**1,698**	**34**	**3,474**
Total	**2,504,149**	**562,424**	**180,275**	**3,246,848**
Non-current assets	**295,465**	**134,751**	**847**	**431,063**
Year ended 30 June 2014				
Segment revenue:				
Sales to external customers	2,478,800	454,464	146,166	3,079,430
Other revenue, excluding bank interest income	4,275	1,853	382	6,510
Total	2,483,075	456,317	146,548	3,085,940
Non-current assets	278,709	125,851	466	405,026

INFORMATION ABOUT A MAJOR CUSTOMER

The Group does not have a single external customer from whom the revenue derived amounted to 10% or more of the Group's revenue during the year (2014: Nil).

NOTES TO FINANCIAL STATEMENTS

30 June 2015

5. REVENUE, OTHER INCOME AND GAINS, NET

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

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

		Group	
		2015	2014
	Note	**HK$'000**	HK$'000
Revenue			
Components Distribution		**920,018**	817,698
IT Infrastructure		**908,556**	932,324
Consumer Electronics Products		**1,414,800**	1,329,408
		3,243,374	3,079,430
Other income and gains, net			
Bank interest income		**1,120**	973
Gross rental income		**1,495**	1,205
Fair value gains on investment properties	*12*	**–**	114
Foreign exchange differences, net		**–**	2,892
Others		**1,979**	2,299
		4,594	7,483

NOTES TO FINANCIAL STATEMENTS

30 June 2015

6. PROFIT BEFORE TAX

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

		Group	
		2015	2014
	Notes	**HK$'000**	HK$'000
Cost of inventories sold		**2,876,900**	2,758,618
Cost of services provided		**90,766**	106,654
(Reversal of write-down)/write-down of inventories to net realisable value and write-off of obsolete inventories*		**(3,229)**	1,207
Depreciation	*11*	**36,856**	31,340
Fair value loss on revaluation of land and buildings#	*11*	**921**	–
Fair value losses/(gains) on investment properties#	*12*	**202**	(114)
Fair value losses on derivative financial instruments, net#	*20*	**217**	1,001
Foreign exchange differences, net		**224**	(2,892)
Operating lease rentals in respect of land and buildings		**10,341**	12,747
Auditors' remuneration		**1,500**	1,455
Employee benefit expense (excluding directors' remuneration *(note 32(b))*):			
Wages and salaries		**102,246**	98,976
Pension scheme contributions		**7,308**	7,354
Expense recognised in respect of treasury shares awarded		**–**	1,343
		109,554	107,673
Impairment/(reversal of impairment) of trade receivables#	*17(b)*	**2,336**	(524)
Loss on disposal of items of property, plant and equipment#		**88**	91

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

\# The fair value losses on derivative financial instruments, net, the fair value losses in investment properties, fair value loss on revaluation of land and buildings, the impairment/(reversal of impairment) of trade receivables and loss on disposal of items of property, plant and equipment are included in "Other expenses, net" on the face of the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

	Group	
	2015	2014
	HK$'000	HK$'000
Interest on bank and other borrowings	**1,906**	2,006
Interest on finance leases	**33**	10
	1,939	2,016

NOTES TO FINANCIAL STATEMENTS

30 June 2015

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Group	
	2015	2014
	HK$'000	HK$'000
Current		
Charge for the year	**19,560**	9,478
Overprovision in prior years	**(74)**	(351)
	19,486	9,127
Deferred *(note 25)*	**(836)**	1,781
Total tax expense for the year	**18,650**	10,908

New Spirit Electronic Technology Development (Shenzhen) Company Limited, a wholly-owned subsidiary of the Group, is subject to a preferential tax rate of 15% (2014: 15%) as it was designated as a high technology enterprise for the years ended 30 June 2015 and 2014.

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

	Group	
	2015	2014
	HK$'000	HK$'000
Profit before tax	**98,812**	50,871
Tax at the statutory rate of Hong Kong of 16.5% (2014: 16.5%)	**16,304**	8,394
Different tax rate of Mainland China	**455**	265
Different tax rate of Singapore	**(22)**	(2)
Adjustments in respect of current tax of previous periods	**(74)**	(351)
Income not subject to tax	**(346)**	(397)
Expenses not deductible for tax	**324**	127
Tax losses utilised from previous periods	**(1,400)**	(153)
Tax losses not recognised	**3,846**	3,206
Others	**(437)**	(181)
Tax expense at the Group's effective rate of 18.9% (2014: 21.4%)	**18,650**	10,908

NOTES TO FINANCIAL STATEMENTS

30 June 2015

9. DIVIDENDS

	Group	
	2015	2014
	HK$'000	HK$'000
Interim dividend - HK$0.086 (2014: HK$0.052) per ordinary share	**18,423**	11,063
Proposed final dividend - HK$0.09 (2014: HK$0.078) per ordinary share	**19,297**	16,643
	37,720	27,706

The proposed final dividend for the year ended 30 June 2014 was approved by the Company's shareholders at the annual general meeting held during the current financial year on 9 October 2014.

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary shareholders of the Company of approximately HK$62,877,000 (2014: HK$37,449,000), and the weighted average of 213,935,026 (2014: 212,726,054) ordinary shares in issue during the year, which has taken into account the effect of treasury shares.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary shareholders of the Company of approximately HK$62,877,000 (2014: HK$37,449,000), as used in the basic earnings per share calculation, and 214,134,219 (2014: 213,375,215) ordinary shares, which was the weighted average of 213,935,026 (2014: 212,726,054) ordinary shares in issue during the year and the weighted average of 199,193 (2014: 649,161) ordinary shares deemed to have been issued at no consideration on the deemed exercise of all the outstanding share options during the year.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

11. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 30 June 2015							
At 30 June 2014 and 1 July 2014:							
Cost or valuation	327,014	43,757	16,808	22,430	6,281	1,895	418,185
Accumulated depreciation	–	(19,515)	(8,809)	(16,230)	(2,989)	-	(47,543)
Net carrying amount	327,014	24,242	7,999	6,200	3,292	1,895	370,642
At 1 July 2014, net of accumulated depreciation	327,014	24,242	7,999	6,200	3,292	1,895	370,642
Additions	14,824	4,003	1,603	5,315	690	3	26,438
Transfers	–	1,898	–	–	–	(1,898)	–
Disposal	–	(150)	(204)	(19)	–	–	(373)
Depreciation provided during the year	(22,596)	(7,410)	(2,431)	(3,101)	(1,318)	–	(36,856)
Surplus on revaluation	43,143	–	–	–	–	–	43,143
Deficit on revaluation charged to profit or loss	(921)	–	–	–	–	–	(921)
Exchange realignment	573	7	5	(30)	6	–	561
At 30 June 2015, net of accumulated depreciation	362,037	22,590	6,972	8,365	2,670	–	402,634
At 30 June 2015:							
Cost or valuation	362,037	49,346	17,080	27,617	6,214	–	462,294
Accumulated depreciation	–	(26,756)	(10,108)	(19,252)	(3,544)	–	(59,660)
Net carrying amount	362,037	22,590	6,972	8,365	2,670	–	402,634
Analysis of cost or valuation:							
At cost	–	49,346	17,080	27,617	6,214	–	100,257
At 30 June 2015 valuation	362,037	–	–	–	–	–	362,037
	362,037	49,346	17,080	27,617	6,214	–	462,294

NOTES TO FINANCIAL STATEMENTS

30 June 2015

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 30 June 2014							
At 1 July 2013:							
Cost or valuation	318,094	36,853	15,783	18,440	6,135	2,065	397,370
Accumulated depreciation	–	(14,219)	(7,478)	(14,398)	(2,590)	–	(38,685)
Net carrying amount	318,094	22,634	8,305	4,042	3,545	2,065	358,685
At 1 July 2013, net of accumulated depreciation	318,094	22,634	8,305	4,042	3,545	2,065	358,685
Additions	–	4,342	1,968	4,159	867	3,395	14,731
Transfers	–	3,487	78	–	–	(3,565)	–
Disposal	–	(115)	(188)	(1)	–	–	(304)
Depreciation provided during the year	(19,928)	(6,114)	(2,170)	(2,005)	(1,123)	–	(31,340)
Surplus on revaluation	28,579	–	–	–	–	–	28,579
Exchange realignment	269	8	6	5	3	–	291
At 30 June 2014, net of accumulated depreciation	327,014	24,242	7,999	6,200	3,292	1,895	370,642
At 30 June 2014:							
Cost or valuation	327,014	43,757	16,808	22,430	6,281	1,895	418,185
Accumulated depreciation	–	(19,515)	(8,809)	(16,230)	(2,989)	–	(47,543)
Net carrying amount	327,014	24,242	7,999	6,200	3,292	1,895	370,642
Analysis of cost or valuation:							
At cost	–	43,757	16,808	22,430	6,281	1,895	91,171
At 30 June 2014 valuation	327,014	–	–	–	–	–	327,014
	327,014	43,757	16,808	22,430	6,281	1,895	418,185

At 30 June 2015, the Group's leasehold land and buildings consisted of four commercial properties, which are situated in Hong Kong and Mainland China.

The Group's leasehold land and buildings were not pledged or subject to any charges and were revalued on 30 June 2015 by BMI Appraisals Limited, independent professionally qualified valuers, on an open market value, existing use basis. A revaluation surplus of HK$35,713,000 (2014: HK$23,577,000), net of deferred tax of HK$7,430,000 (2014: HK$5,006,000), resulted from the valuation has been credited to "Land and buildings revaluation reserve" of other comprehensive income during the year. In addition, a revaluation deficit of HK$921,000 (2014: Nil), resulted from the revaluation has been charged to profit or loss during the year.

If the leasehold land and buildings were measured using the cost model, the carrying amount as at 30 June 2015 would have been HK$84,803,000 (2014: HK$75,451,000).

The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of office equipment at 30 June 2015 was HK$833,000 (2014: HK$416,000) (note 24).

NOTES TO FINANCIAL STATEMENTS

30 June 2015

11. PROPERTY, PLANT AND EQUIPMENT (continued)

FAIR VALUE HIERARCHY

At 30 June 2015, fair value measurements of all of the Group's leasehold land and buildings are using significant unobservable inputs (Level 3) as defined in IFRS 13. During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of the Group's leasehold land and buildings:

Valuation techniques	Significant unobservable inputs	Input/range of input (weighted average) 2015	2014
Property located in Hong Kong			
Direct comparison method	Price per square feet (s.q.f)	**Ground floor: HK$12,000 to HK$13,000 per s.q.f**	Ground floor: HK$10,000 to HK$12,000 per s.q.f
		Non-ground floors: HK$3,400 to HK$4,400 per s.q.f	Non-ground floors: HK$2,700 to HK$4,700 per s.q.f
Properties located in Mainland China			
Direct comparison method	Price per square metre (s.q.m)	**RMB38,000 to RMB54,000 per s.q.m**	RMB37,500 to RMB40,008 per s.q.m

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

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

An increase/(decrease) in the price per square feet per square meter in isolation would result in an increase/(decrease) in the fair value of the leasehold land and buildings.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

12. INVESTMENT PROPERTIES

		Group	
	Note	2015	2014
Carrying amount at beginning of financial year		**23,480**	23,295
Net gain/(loss) from a fair value adjustment	6	**(202)**	114
Exchange realignment		**155**	71
Carrying amount at end of financial year		**23,433**	23,480

Notes:

(a) The Group's investment properties are commercial properties situated in Mainland China and are held under medium term leases. They are leased to third parties under operating leases, further summary details of which are included in note 30(a) to the financial statements.

(b) The Group's investment properties were revalued on 30 June 2015 by BMI Appraisals Limited, independent professionally qualified valuers, using a direct comparison approach. Each year, the Group's senior management decide which external valuer to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, independence and whether professional standards are maintained. The Group's financial controller has on-going discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed.

Fair value hierarchy

At 30 June 2015, fair value measurements of all of the Group's investment properties are using significant unobservable inputs (Level 3) as defined in IFRS 13. During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3.

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

Valuation techniques	Significant unobservable inputs	Input/range of input (weighted average) 2015	2014
Commercial properties Direct comparison method and income capitalisation method	(i) Capitalisation rate (%) (ii) Prevailing market rents (iii) Price per square metre (s.q.m)	**4.2 to 4.7%** **RMB108 to RMB140 per s.q.m** **RMB20,000 to RMB22,500 per s.q.m**	4.0 to 4.5% RMB122 to RMB128 per s.q.m RMB20,000 to RMB26,000 per s.q.m

NOTES TO FINANCIAL STATEMENTS

30 June 2015

12. INVESTMENT PROPERTIES (continued)

Notes: (continued)

(b) (continued)

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

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

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

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

13. GOODWILL

	Group	
	2015	2014
	HK$'000	HK$'000
At beginning and end of financial year:		
Cost	**5,104**	5,104
Accumulated impairment	**(3,006)**	(3,006)
Net carrying amount	**2,098**	2,098

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

- Components distribution
- IT infrastructure

NOTES TO FINANCIAL STATEMENTS

30 June 2015

13. GOODWILL (continued)

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

	HK$'000
Components distribution	1,901
IT infrastructure	197
Total	2,098

IMPAIRMENT ASSESSMENT

The recoverable amounts of these cash-generating units have been determined based on a value in use calculation using cash flow projections which are based on financial budgets approved by Management covering a period of five years and cash flows for the following five years are extrapolated based on an estimated average growth rate of 10% (2014: 10%) per annum. The discounted rates applied to cash flow projections range between 5% and 6% (2014: range between 5% to 6%).

Assumptions were used in the value in use calculation of the relevant cash-generating units for 30 June 2015 and 2014. 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 rates*

  The discount rates used are before tax and reflect specific risks relating to the relevant units.

After the assessment, no impairment of goodwill was recognised in profit or loss during the year (2014: Nil).

NOTES TO FINANCIAL STATEMENTS

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14. INVESTMENTS IN SUBSIDIARIES

		Company	
		2015	2014
	Notes	**HK$'000**	HK$'000
Unlisted shares, at cost	*(a)*	**73,931**	73,931
Capital contribution in respect of employee share-based compensation		**2,377**	2,377
Investments in subsidiaries included in non-current assets		**76,308**	76,308
Amounts due from subsidiaries included in current assets	*(b)*	**50,178**	48,209

Notes:

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

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

NOTES TO FINANCIAL STATEMENTS

30 June 2015

14. INVESTMENTS IN SUBSIDIARIES (continued)

Notes: (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity indirectly attributable to the Company	Principal activities
Compucon Computers Limited^	Hong Kong	Ordinary HK$100,000	100	Trading of electronics products and peripherals and provision of software products and solutions
Compusmart Limited^	British Virgin Islands/ Hong Kong	Ordinary US$1	100	Property holding
MEET Solutions Limited^	Hong Kong	Ordinary HK$10,000	100	Provision of professional consulting service, software products, and solutions
Karga Solutions Limited^	Hong Kong	Ordinary HK$100,000	100	Provision of professional consulting service and software products, solutions and training
Karltec Information System (Shenzhen) Company Limited*@	PRC/ Mainland China	Registered HK$7,000,000	75	Distribution of computer products and peripherals
I M I Kabel Pte. Ltd.@	Singapore	Ordinary S$300,000	70	Distribution of industrial cables
KCF A Store Limited^	Hong Kong	Ordinary HK$30,000,000	60	Distribution of consumer electronics products and accessories
Matrix Power Technology (Shenzhen) Co. Ltd.*@	PRC/ Mainland China	Registered RMB6,000,000	53	Provision of power supply solution services

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

^ Audited by Ernst & Young, Hong Kong

@ Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

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

NOTES TO FINANCIAL STATEMENTS

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14. INVESTMENTS IN SUBSIDIARIES (continued)

Notes: (continued)

(b) The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the balances approximate to their fair values.

(c) Management is of the opinion that the Group does not have material non-wholly-owned subsidiary which required additional disclosures in accordance to the requirements set out in IFRS 12.

15. INVESTMENT IN AN ASSOCIATE

		Group	
		2015	2014
	Note	**HK$'000**	HK$'000
Share of net assets included in non-current assets	*(b)*	**797**	498

Notes:

(a) Particulars of the associate are as follows:

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

The Group's voting power held and profit sharing arrangement in relation to SCIT is 30% (2014: 30%). SCIT is not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

NOTES TO FINANCIAL STATEMENTS

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15. INVESTMENT IN AN ASSOCIATE (continued)

Notes: (continued)

(b) The following table illustrates the summarised financial information of SCIT, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	Group	
	2015	2014
	HK$'000	HK$'000
Share of the associate's net assets		
Non-current assets	**23**	32
Current assets	**3,729**	1,904
Current liabilities	**(2,955)**	(1,438)
Net assets	**797**	498
Share of the associate's results		
Total revenue	**11,679**	6,815
Total expenses	**(11,385)**	(6,704)
Profit for the year and total comprehensive income for the year	**294**	111

16. INVENTORIES

Inventories of the Group are trading stocks.

NOTES TO FINANCIAL STATEMENTS

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17. TRADE AND BILLS RECEIVABLES

		Group	
		2015	2014
	Notes	**HK$'000**	HK$'000
Trade and bills receivables	*(a)*	**414,267**	360,730
Less: Impairment	*(b)*	**(3,767)**	(1,829)
		410,500	358,901

Notes:

(a) The Group offers credit terms to certain of its customers. Trade receivables, which are non-interest-bearing, are recognised and carried at their original invoice amounts less allowances for any uncollectible amounts. The Group does not hold any collateral or other credit enhancements over these balances. An estimate for doubtful debts is made when collection of the full amount is no longer probable and bad debts are written off as incurred.

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

	Group	
	2015	2014
	HK$'000	HK$'000
At beginning of financial year	**1,829**	4,108
Impairment losses recognised/(reversed) *(note 6)*	**2,336**	(524)
Amount written off as uncollectible	**(362)**	(1,774)
Exchange realignment	**(36)**	19
At end of financial year	**3,767**	1,829

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$190,000 (2014: HK$824,000) with a carrying amount before provision of HK$190,000 (2014: HK$824,000). The individually impaired trade receivables related to customers that were in financial difficulties and the full amount of the receivables was expected to be irrecoverable and was written off as uncollectible during the year.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

17. TRADE AND BILLS RECEIVABLES (continued)

Notes: (continued)

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

	Group	
	2015	2014
	HK$'000	HK$'000
Neither past due nor impaired	**270,315**	213,606
Past due for less than one month	**82,195**	74,273
Past due for one to three months	**27,090**	47,451
Past due for over three months	**5,711**	10,331
	385,311	345,661

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

18. FACTORED TRADE RECEIVABLES

In prior year, the Group entered into receivable purchase agreements with a financial institution for the factoring of trade receivables with certain designated customers. At 30 June 2015, trade receivables factored to the financial institution aggregating to approximately HK$1,064,000 (2014: HK$2,372,000) were not derecognised from the consolidated statement of financial position because the derecognition criteria for financial assets were not met. Accordingly, the advances from the financial institution of approximately HK$2,310,000 (2014: HK$3,850,000) received by the Group as consideration at 30 June 2015 were recognised as "other borrowings" and included in "interest-bearing bank and other borrowings" (note 23).

At 30 June 2015, the aforementioned factored trade receivables were neither past due nor impaired.

NOTES TO FINANCIAL STATEMENTS

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19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**45,113**	42,044	**–**	–
Deposits	**3,030**	4,160	**–**	–
Other receivables	**5,911**	6,216	**–**	147
	54,054	52,420	**–**	147
Current portion included in prepayments, deposits and other receivables	**(53,456)**	(45,690)	**–**	(147)
Non-current portion	**598**	6,730	**–**	–

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

The Group's prepayments as at 30 June 2014 included a payment to a third party for the purchase of a property located in Beijing amounting to HK$6,730,000. The transaction was completed in July 2014.

20. FORWARD CURRENCY CONTRACTS

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

Fair value losses of non-hedging currency derivatives amounting to HK$217,000 (2014: HK$1,001,000) were debited to profit or loss as "other expenses, net" during 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.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances other than time deposits	**104,937**	68,213	**1,305**	1,565
Time deposits	**33,690**	22,187	**–**	–
	138,627	90,400	**1,305**	1,565

At 30 June 2015, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to HK$34,263,000 (2014: HK$26,664,000). 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. Short term time deposits are made for varying periods of between one day and six months (2014: between one day and six months) depending on the immediate cash requirement of the Group, and earn interest at the respective time deposit rates. The bank balances are deposited with major international banks in Mainland China, Hong Kong and Singapore and state-owned banks in Mainland China with no recent history of default.

22. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**230,970**	148,787	**–**	–
Receipts in advance	**77,708**	51,369	**–**	–
Other payables	**14,676**	12,846	**–**	–
Accruals	**38,189**	23,997	**3,434**	2,163
Other payables and accruals	**130,573**	88,212	**3,434**	2,163
	361,543	236,999	**3,434**	2,163

The trade and other payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

NOTES TO FINANCIAL STATEMENTS

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23. INTEREST-BEARING BANK AND OTHER BORROWINGS

GROUP

	2015		2014	
	Maturity	**HK$'000**	Maturity	HK$'000
Current				
Finance lease payables *(note 24)*	**2016**	**155**	2015	83
Bank loans, unsecured	**2015**	**140,709**	2014	166,475
Other borrowing, unsecured	**2015**	**1,532**	2014	1,534
		142,396		168,092
Non-current				
Finance lease payables *(note 24)*	**2019**	**468**	2019	333
Other borrowing, unsecured	**2017**	**778**	2016 - 2017	2,316
		1,246		2,649
		143,642		170,741

All the bank and other borrowings of the Group as at 30 June 2015 and 2014 were denominated in Hong Kong dollars. At 30 June 2015, bank borrowings of HK$140,709,000 (2014: HK$166,475,000) were covered by cross corporate guarantees given by the Company and certain of its subsidiaries.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

24. FINANCE LEASE PAYABLES

The Group leases certain of its office equipment of which the leases are classified as finance leases and have remaining lease terms of three years (2014: four years) from 30 June 2015.

At 30 June 2015, the total future minimum lease payments under finance leases and their present values were as follows:

GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Amounts payable:				
Within one year	**181**	102	**155**	83
In the second year	**181**	102	**162**	87
In the third to fifth years, inclusive	**319**	263	**306**	246
Total minimum finance lease payments	**681**	467	**623**	416
Future finance charges	**(58)**	(51)		
Total net finance lease payables	**623**	416		
Portion classified as current liabilities *(note 23)*	**(155)**	(83)		
Non-current portion *(note 23)*	**468**	333		

At 30 June 2015, the finance lease obligations were secured by the underlying office equipment acquired (note 11).

NOTES TO FINANCIAL STATEMENTS

30 June 2015

25. DEFERRED TAX

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

GROUP

	Notes	Assets provision HK$'000	Tax depreciation allowance in excess of related depreciation HK$'000	Revaluation of land and buildings and investment properties to fair value HK$'000	Total HK$'000
At 1 July 2013		1,503	(2,976)	(41,528)	(43,001)
Deferred tax charged to profit or loss during the year	*8*	(377)	(1,404)	–	(1,781)
Deferred tax charged to equity during the year	*11*	–	(2,422)	(2,584)	(5,006)
Exchange realignment		1	(3)	(33)	(35)
At 30 June 2014 and 1 July 2014		**1,127**	**(6,805)**	**(44,145)**	**(49,823)**
Deferred tax credited/(charged) to profit or loss during the year	*8*	**(213)**	**818**	**231**	**836**
Deferred tax charged to equity during the year	*11*	**–**	**(2,667)**	**(4,763)**	**(7,430)**
Exchange realignment		**–**	**–**	**(74)**	**(74)**
At 30 June 2015		**914**	**(8,654)**	**(48,751)**	**(56,491)**

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

	2015 HK$'000	2014 HK$'000
Deferred tax assets	**971**	514
Deferred tax liabilities	**(57,462)**	(50,337)
	(56,491)	(49,823)

NOTES TO FINANCIAL STATEMENTS

30 June 2015

25. DEFERRED TAX (continued)

Notes:

(a) At 30 June 2015 and 2014, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Company as the Company has no liability to additional tax should such amounts be remitted to its shareholders in form of dividends.

(b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 30 June 2015 and 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. At 30 June 2015, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately HK$6,709,000 (2014: HK$5,631,000).

26. SHARE CAPITAL

SHARES

	Group and Company	
	2015	2014
	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:		
214,410,000 (2014: 213,560,000) ordinary shares of HK$0.1 each	**21,441**	21,356

NOTES TO FINANCIAL STATEMENTS

30 June 2015

26. SHARE CAPITAL (continued)

SHARES (continued)

Issued and fully paid:

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 July 2013	212,210,000	21,221	42,653	63,874
Share options exercised *(Note)*	1,350,000	135	1,699	1,834
Distribution of treasury shares	–	–	35	35
	1,350,000	135	1,734	1,869
At 30 June 2014 and 1 July 2014	**213,560,000**	**21,356**	**44,387**	**65,743**
Share options exercised *(Note)*	**850,000**	**85**	**1,037**	**1,122**
At 30 June 2015	**214,410,000**	**21,441**	**45,424**	**66,865**

Note: The subscription rights attaching to 850,000 (2014: 1,350,000) share options were exercised at the subscription prices ranged from S$0.1264 to S$0.1608 per share (2014: at the subscription price of S$0.1608 per share) (note 27), resulting in the issue of 850,000 (2014: 1,350,000) shares of HK$0.10 each for a total cash consideration, before expenses, of HK$814,000 (2014: HK$1,330,000). An amount of HK$308,000 (2014: HK$504,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

26. SHARE CAPITAL (continued)

TREASURY SHARES

The movements of the Group's and the Company's treasury shares during the year are as follows:

		Number of shares		Amount	
		2015	2014	**2015**	2014
	Notes			**HK$'000**	HK$'000
At beginning of the financial year		**194,000**	40,000	**359**	71
Shares repurchased	*(a)*	**306,000**	864,000	**529**	1,596
Distribution of treasury shares	*(b)*	**–**	(710,000)	**–**	(1,308)
At end of the financial year		**500,000**	194,000	**888**	359

Notes:

(a) During the year, the Company repurchased a total of 306,000 (2014: 864,000) ordinary shares of the Company on the SGX-ST at an aggregate consideration of HK$529,000 (2014: HK$1,596,000) and these shares were held by the Company as treasury shares.

The repurchases of the Company's shares during the current and prior years were effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

(b) During the year ended 30 June 2014, the Company awarded 710,000 treasury shares of the Company to certain employees, pursuant to the Karin Performance Share Plan adopted at the annual general meeting held on 21 October 2010. The aggregate carrying amount and fair value of treasury shares at the date of award were HK$1,308,000 and HK$1,343,000, respectively, and the aggregate fair value was recognised as an expense in profit or loss (note 6). During the year, no treasury share was awarded.

SHARE OPTIONS

Details of the Company's share option schemes are included in note 27 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

27. SHARE OPTION SCHEME

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

30 June 2015

27. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the 2015 ESOS during the year:

	Notes	**2015** Number of options '000	**2015** Weighted average exercise price Singapore dollar ("S$") per share	2014 Number of options '000	2014 Weighted average exercise price Singapore dollar ("S$") per share
At beginning of financial year	*(a)*	**1,200**	**0.1510**	2,550	0.1562
Exercised during the year	*(b)*	**(850)**	**0.1567**	(1,350)	0.1608
At end of financial year	*(c)*	**350**	**0.1372**	1,200	0.1510

Notes:

(a) The share options granted by the Company in the prior years were fully vested to the grantees as at 1 July 2011. Therefore, no equity-settled share option expense was recognised in profit or loss in the current and prior years.

(b) The 850,000 (2014: 1,350,000) share options exercised during the year resulted in the issue of 850,000 (2014: 1,350,000) ordinary shares of the Company and new share capital of HK$85,000 (2014: HK$135,000) and share premium of HK$1,037,000 (2014: HK$1,699,000) (before issue expenses), as further detailed in note 26 to financial statements.

At the end of the reporting period, the Company had 350,000 (2014: 1,200,000) share options outstanding under the 2005 ESOS. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 350,000 (2014: 1,200,000) additional ordinary shares of the Company and additional share capital of HK$35,000 (2014: HK$120,000) and share premium of HK$241,000 (2014: HK$1,005,000) (before issue expenses and transfer from share option reserve).

NOTES TO FINANCIAL STATEMENTS

30 June 2015

27. SHARE OPTION SCHEME (continued)

Notes: (continued)

(b) (continued)

At the date of approval of these financial statements, the Company had 350,000 share options outstanding under the 2005 ESOS, which represent approximately 0.16% of the Company's shares in issue as at that date.

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

		Number of share options	
Exercise price* S$ per share	Exercise period	**At 30 June 2015 '000**	At 30 June 2014 '000
0.1264	3 Nov 2008 - 2 Nov 2016	**–**	100
0.1608	5 Apr 2009 - 4 Apr 2017	**200**	950
0.1060	7 Nov 2010 - 6 Nov 2018	**150**	150
		350	1,200

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

28. RESERVES

(a) GROUP

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

(i) The Group's contributed surplus represents the difference between the aggregate of the nominal value of issued share capital and the balance of the contributed surplus account the Company acquired, and the nominal value of the shares of the Company issued in exchange therefor, pursuant to a group restructuring completed in prior years.

(ii) The land and buildings revaluation reserve is used to record increments and decrements in the fair value of leasehold land and buildings, net of relevant deferred tax, to the extent that they offset each other.

(iii) In accordance with the relevant PRC regulations, each of the Group's PRC subsidiaries is required to transfer not less than 10% of its profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the general reserve until such reserve reaches 50% of its registered capital. The quantum of the annual transfer is subject to the approval of the respective boards of directors of the PRC subsidiaries in accordance with their respective articles of association. No transfer was made in the current and prior years as the general reserves of the relevant subsidiaries had reached 50% of their respective registered capital.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

28. RESERVES (continued)

(b) COMPANY

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2013		42,653	36,311	946	21,508	101,418
Profit for the year and total comprehensive income for the year		–	–	–	31,150	31,150
Issue of shares under the 2005 ESOS	26, 27(b)	1,699	–	(504)	–	1,195
Distribution of treasury shares	26	35	–	–	–	35
Final 2013 dividend paid	9	–	–	–	(19,778)	(19,778)
Interim 2014 dividend paid	9	–	–	–	(11,063)	(11,063)
At 30 June 2014 and at 1 July 2014		**44,387**	**36,311**	**442**	**21,817**	**102,957**
Profit for the year and total comprehensive income for the year		**–**	**–**	**–**	**35,250**	**35,250**
Issue of shares under the 2005 ESOS	26, 27(b)	**1,037**	**–**	**(308)**	**–**	**729**
Final 2014 dividend paid	9	**–**	**–**	**–**	**(16,709)**	**(16,709)**
Interim 2015 dividend paid	9	**–**	**–**	**–**	**(18,423)**	**(18,423)**
At 30 June 2015		**45,424**	**36,311**	**134**	**21,935**	**103,804**

29. CONTINGENT LIABILITIES

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

	Group		Company	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Bank guarantee given in lieu of a utility deposit	**207**	207	**–**	–
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**1,015,942**	1,015,926
Guarantees given to suppliers in connection with credit facilities granted to subsidiaries	**–**	–	**343,164**	246,475
	207	207	**1,359,106**	1,262,401

As at 30 June 2015, the guarantees given to banks and suppliers by the Company in connection with facilities granted to subsidiaries were utilised to the extent of approximately HK$154,330,000 (2014: HK$180,113,000) and HK$82,698,000 (2014: HK$49,590,000), respectively.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

30. OPERATING LEASE ARRANGEMENTS

(a) AS LESSOR

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

At 30 June 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Within one year	**3,808**	352
In the second to fifth years, inclusive	**334**	-
	4,142	352

(b) AS LESSEE

The Group leases certain of its warehouses, offices, retail shops and office equipment under operating lease arrangements with leases negotiated for terms ranging from one to five years (2014: one to five years). The lease of a certain retail shop requires contingent rentals calculated based on the monthly revenue of the relevant retail shop.

At 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Within one year	**5,705**	8,870
In the second to fifth years, inclusive	**1,986**	3,321
	7,691	12,191

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

NOTES TO FINANCIAL STATEMENTS

30 June 2015

31. CAPITAL COMMITMENTS

At 30 June 2015, the Group had capital commitments in respect of renovation of buildings of HK$1,112,600 (2014: HK$5,232,000) and, as at 30 June 2014, purchase of a property located in Beijing of HK$6,730,000.

32. RELATED PARTY DISCLOSURES

(a) TRANSACTIONS AND BALANCES WITH RELATED PARTIES

In addition to 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

	2015 HK$'000	2014 HK$'000
Fees	**710**	739
Other emoluments	**9,436**	7,245
	10,146	7,984

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

	Number of directors		
	Executive	**Independent**	**Total**
Year ended 30 June 2015			
Below S$250,000 (HK$1,438,000)	**–**	**3**	**3**
S$250,000 to S$499,999 (HK$1,438,000 to HK$2,876,000)	**1**	**–**	**1**
S$500,000 to S$749,999 (HK$2,876,001 to HK$4,315,000)	**2**	**–**	**2**
	3	**3**	**6**

	Number of directors		
	Executive	Independent	Total
Year ended 30 June 2014			
Below S$250,000 (HK$1,551,500)	–	3	3
S$250,000 to S$500,000 (HK$1,551,500 to HK$3,103,000)	3	–	3
	3	3	6

NOTES TO FINANCIAL STATEMENTS

30 June 2015

32. RELATED PARTY DISCLOSURES (continued)

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

	2015 HK$'000	2014 HK$'000
Short term employee benefits	16,317	17,565
Post-employment benefits	180	157
Treasury shares awarded	–	1,156
Total compensation paid to key management personnel	16,497	18,878

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

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

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:

AT 30 JUNE 2015

	Group			Company
	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Total HK$'000	Loans and receivables HK$'000
Financial assets				
Trade and bills receivables	–	410,500	410,500	–
Factored trade receivables	–	1,064	1,064	–
Financial assets included in prepayments, deposits and other receivables	–	8,941	8,941	–
Forward currency contracts	809	–	809	–
Amounts due from subsidiaries	–	–	–	50,178
Cash and cash equivalents	–	138,627	138,627	1,305
	809	559,132	559,941	51,483

NOTES TO FINANCIAL STATEMENTS

30 June 2015

33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

AT 30 JUNE 2015 (continued)

	Group	Company
	Financial liabilities at amortised cost HK$'000	Financial liabilities at amortised cost HK$'000
Financial liabilities		
Trade payables	**230,970**	**–**
Financial liabilities included in other payables and accruals	**52,865**	**3,434**
Interest-bearing bank and other borrowings other than finance lease payables	**143,019**	**–**
Finance lease payables	**623**	**–**
	427,477	**3,434**

AT 30 JUNE 2014

	Group			Company
	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Total HK$'000	Loans and receivables HK$'000
Financial assets				
Trade and bills receivables	–	358,901	358,901	–
Factored trade receivables	–	2,372	2,372	–
Financial assets included in prepayments, deposits and other receivables	–	10,376	10,376	147
Forward currency contracts	1,026	–	1,026	–
Amounts due from subsidiaries	–	–	–	48,209
Cash and cash equivalents	–	90,400	90,400	1,565
	1,026	462,049	463,075	49,921

NOTES TO FINANCIAL STATEMENTS

30 June 2015

33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

AT 30 JUNE 2014 (continued)

	Group	Company
	Financial liabilities at amortised cost HK$'000	Financial liabilities at amortised cost HK$'000
Financial liabilities		
Trade payables	148,787	–
Financial liabilities included in other payables and accruals	36,843	2,163
Interest-bearing bank and other borrowings other than finance lease payables	170,325	–
Finance lease payables	416	–
	356,371	2,163

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

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, bills and other receivables, factored trade receivables and trade and other payables, which arise directly from its operations.

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

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

(a) INTEREST RATE RISK

Since the majority of the interest-bearing bank and other borrowings of the Group are with fixed interest rates, 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. The Group monitors the movements in interest rates on an ongoing basis and evaluates the exposure for its bank balances.

(b) FOREIGN CURRENCY RISK

The Group's exposure to market risk for changes in foreign currency exchange rate relates primarily to certain trade receivables and payables and certain bank balances denominated in currencies other than the units' functional currencies. The Group uses foreign currency forward contracts to reduce its foreign currency risk, but the transactions do not qualify for hedge accounting in accordance with IAS 39. Further details of the foreign currency contracts are set out in note 20 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) CREDIT RISK

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

The Group performs ongoing credit evaluations of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectability of all trade receivables. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

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

(d) LIQUIDITY RISK

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

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

The Group's financial liabilities as at 30 June 2015, based on the contractual undiscounted payments, of HK$426,257,000 (2014: HK$353,741,000) and HK$1,278,000 (2014: HK$2,681,000) were mature within one year and over one year, respectively. Further details of the financial liabilities of the Group are set out in note 33 to the financial statements. The balances due within one year and over one year approximate to their carrying balances as the impact of the discount is not significant. In addition, as at 30 June 2015, the Group had a bank guarantee given in lieu of a utility deposit of HK$207,000 (2014: HK$207,000), which was repayable on demand.

The Company's financial liabilities as at 30 June 2015, based on the contractual undiscounted payments, of HK$3,434,000 (2014: HK$2,163,000) 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 to their carrying balances as the impact of the discount is not significant. In addition, the Company is also exposed to liquidity risk through the granting of financial guarantees. At 30 June 2015, the Company had guarantees given to banks and suppliers in connection with facilities granted to subsidiaries and utilised as to an aggregate of HK$237,028,000 (2014: HK$229,703,000) which were repayable on demand, further details of which are disclosed in note 29 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

30 June 2015

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 2015 and 2014.

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

	Group	
	2015	2014
	HK$'000	HK$'000
Interest-bearing bank and other borrowings other than finance lease payables	**143,019**	170,325
Finance lease payables	**623**	416
	143,642	170,741
Total equity	**666,488**	591,170
Gearing ratio	**0.22**	0.29

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 September 2015.

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				
	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
REVENUE	**3,243,374**	3,079,430	3,825,591	3,232,279	2,167,430
Cost of sales	**(2,964,437)**	(2,866,479)	(3,598,394)	(3,042,052)	(1,998,094)
Gross profit	**278,937**	212,951	227,197	190,227	169,336
Other income and gains, net	**4,594**	7,483	8,851	13,718	15,422
Selling and distribution costs	**(82,952)**	(80,299)	(79,228)	(59,057)	(49,648)
Administrative expenses	**(96,840)**	(87,154)	(80,268)	(71,607)	(64,916)
Other expenses, net	**(3,282)**	(205)	2,992	4,688	(8,801)
Finance costs	**(1,939)**	(2,016)	(1,616)	(1,327)	(780)
Share of profit/(loss) of an associate	**294**	111	(38)	(49)	–
PROFIT BEFORE TAX	**98,812**	50,871	77,890	76,593	60,613
Income tax expense	**(18,650)**	(10,908)	(15,790)	(12,227)	(9,305)
PROFIT FOR THE YEAR	**80,162**	39,963	62,100	64,366	51,308
Profit for the year attributable to:					
Owners of the Company	**62,877**	37,449	55,657	60,175	52,540
Non-controlling interests	**17,285**	2,514	6,443	4,191	(1,232)
	80,162	39,963	62,100	64,366	51,308
Earnings Before Interest, Tax, Depreciation and Amortization	**137,607**	84,227	99,027	92,242	72,104
Core Profit After Tax(*)	**80,921**	38,732	57,915	51,596	50,253

(*) Profit for the year before the follows:

- exchange (gain)/loss;
- (reversal of impairment)/impairment of trade receivables;
- (reversal of write-down)/write-down and write-off of obsolete inventories to net realizable value;
- fair value loss on revaluation of land and buildings;
- fair value losses/(gains) on investment properties;
- fair value (gains)/losses on derivative financial instruments; and
- (gain)/loss on disposal of items of property, plant and equipment.

FINANCIAL SUMMARY

FIVE YEAR FINANCIAL SUMMARY (continued)

	As at 30 June				
	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Non-current assets	**431,063**	405,026	384,942	286,749	224,862
Current assets	**816,937**	656,259	672,991	609,708	529,615
Current liabilities	**(522,804)**	(417,129)	(456,294)	(409,046)	(357,536)
Net current assets	**294,133**	239,130	216,697	200,662	172,079
Total assets less current liabilities	**725,196**	644,156	601,639	487,411	396,941
Non-current liabilities	**(58,708)**	(52,986)	(43,477)	(31,021)	(12,110)
Net assets	**666,488**	591,170	558,162	456,390	384,831
Equity attributable to equity holders of the Company	**643,840**	578,777	547,253	449,244	383,968
Non-controlling interests	**22,648**	12,393	10,909	7,146	863
Total equity	**666,488**	591,170	558,162	456,390	384,831
Debtors turnover days	**43.3**	42.6	32.1	34.1	46.3
Creditors turnover days	**26.4**	22.0	20.9	28.3	35.6
Inventories turnover days	**23.7**	21.1	17.5	18.2	20.9

STATISTICS OF SHAREHOLDINGS

STATISTICS OF SHAREHOLDERS AS AT 16 SEPTEMBER 2015

Authorised share capital	:	HK$1,000,000,000
Issued and fully paid-up capital excluding treasury shares	:	HK$21,441,000
Total number of issued shares excluding treasury shares	:	214,410,000
Class of Shares	:	Ordinary share of HK$0.10 each
Voting Rights	:	One Vote per ordinary share The Company cannot exercise any voting rights in respect of ordinary shares held by it as treasury shares.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Ordinary Shareholders	% of Holders	No. of Shares (excluding treasury shares)	% of Shares*
1 – 99	0	0.00	0	0.00
100 – 1,000	99	17.25	95,300	0.04
1,001 – 10,000	192	33.45	1,169,200	0.55
10,001 – 1,000,000	268	46.69	20,289,300	9.46
1,000,001 and above	15	2.61	192,856,200	89.95
TOTAL	574	100.00	214,410,000	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 16 September 2015)

	Direct Interest		Deemed Interests	
Name	No. of shares held	%*	No. of shares held	%*
Asia Platform Investment Limited	70,639,950	32.95	–	–
Kikki Investment Ltd	70,639,950	32.95	–	–
Ng Yuk Wing, Philip	–	–	72,051,950(1) (3)	33.60
Ng Kin Wing, Raymond	–	–	70,639,950(2)	32.95
Ng Mun Kit, Michael	–	–	70,639,950(1)	32.95
Mawer Investment Management Ltd	–	–	14,030,000	6.54

STATISTICS OF SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS (continued)

Notes:–

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

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

(3) Mr. Ng Yuk Wing, Philip is deemed to be interested in the 1,412,000 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 of the Company as at 16 September 2015.

LIST OF 20 LARGEST SHAREHOLDERS

No.	Shareholder's name	Number of Shares Held	%*
1	Asia Platform Investment Limited	70,639,950	32.95
2	Kikki Investment Ltd	70,639,950	32.95
3	Citibank Nomines Singapore Pte Ltd.	10,767,892	5.02
4	DBS Vickers Securities (Singapore) Pte Ltd.	8,961,425	4.18
5	Rigel Technology (Singapore) Pte Ltd	7,065,100	3.30
6	Ng Eng Seng	5,678,800	2.65
7	DBS Nominees Pte Ltd.	4,290,008	2.00
8	Seet Christina	4,000,000	1.87
9	Wee Hian Kok	2,759,000	1.29
10	Cheng Kim Man Edwin	2,000,000	0.93
11	Leung Tak Ching	1,412,000	0.66
12	Tan Ming Kirk Richard	1,350,000	0.63
13	Ng Kam Wing	1,139,075	0.53
14	OCBC Securities Private Ltd	1,139,000	0.53
15	Yeo Whee Kiak	1,014,000	0.47
16	Kim Soo Koong	1,000,000	0.47
17	Ng Hock Kon	1,000,000	0.47
18	CIMB Securities (Singapore) Pte Ltd	828,900	0.39
19	Raffles Nominees (Pte) Ltd	625,000	0.29
20	Lai Weng Kay	497,000	0.23
	Total	**196,807,100**	**91.78**

* Percentage is based on 214,410,000 Shares (excluding shares held as treasury shares) as at 16 September 2015. The Company did not hold any treasury shares as at 16 September 2015.

STATISTICS OF SHAREHOLDINGS

TREASURY SHARES

The Company did not hold any treasury shares as at 16 September 2015.

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

Based on information available and to the best knowledge of the Company as at 16 September 2015, approximately 23.36%* 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 of the Company as at 16 September 2015.

INFORMATION ABOUT INVESTMENT PROPERTIES HELD

MAJOR PROPERTIES HELD FOR INVESTMENT PURPOSE:

Location	Purpose of property	Tenure of land	Term of lease
Units 701 to 704 and 709 to 710 on Level 7, Tower 1, Kerry Everbright City, No. 218 Tian Mu Road West, Zhabei District, Shanghai, The PRC	Office premises	Leasehold	The properties are held from the government for a term of 50 years commencing on 24 September 1992 and expiring on 23 September 2042.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at Shenton Room, Lower Level, M Hotel Singapore, 81 Anson Road, Singapore 079908 on Wednesday, 28 October 2015 at 11.00 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2015 together with the Directors' Report and the Auditors' Report thereon. **(Resolution 1)**

2. To approve a final dividend of HK9.0 cents per ordinary share for the financial year ended 30 June 2015. **(Resolution 2)**

3. To approve Directors' Fee of HK$710,000 for the financial year ended 30 June 2015. **(Resolution 3)**

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

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

   (ii) Mr. Lee Yiu Chung, Eugene **(Resolution 5)**

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

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

6. 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**"), authority be and is hereby given to the Directors of the Company to:–

(a) (i) issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

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

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

provided that:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the Company's total number of issued Shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the Company's total number of issued Shares excluding treasury Shares (as calculated in accordance with sub-paragraph (2) below). Unless prior shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

NOTICE OF ANNUAL GENERAL MEETING

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued Shares excluding treasury shares is based on the Company's total number of issued Shares excluding treasury shares at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

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

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

7. 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) 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)*

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8. 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 in the capital of the Company from time to time."
   (See Explanatory Note 4)

9. Authority to Grant of 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."

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10. Proposed Renewal of the Share Buyback Mandate **(Resolution 11)**

"That:

(a) pursuant to the Bye-laws, the Companies Act 1981 of Bermuda (the "**Companies Law**"), the Companies Act (Chapter 50) of Singapore (the "**Singapore 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 hereafter defined) whether by way of:

(i) on-market purchase(s) ("**Market Purchases**"), transacted on the SGX-ST through its ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchase(s) ("**Off-Market Purchases**") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit and in the interests of the Company, which scheme(s) shall satisfy all the conditions prescribed by the Bye-laws and the Listing Manual,

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

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the proposed Share Buyback Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Companies Law;

(c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this resolution and expiring on the earlier of:

(i) the date on which the Annual General Meeting is held or required by law or the Bye-laws to be held;

(ii) the date on which Share purchases or acquisitions pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buyback Mandate is varied or revoked at a general meeting,

(the "**Relevant Period**").

NOTICE OF ANNUAL GENERAL MEETING

In this resolution:

"**Prescribed List**" means 10% of the issued ordinary share capital of the Company as at the date of passing of this resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Law, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time); and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase: 105% of the Average Closing Price (as hereinafter defined); and

(ii) in the case of an Off-Market Purchase: 120% of the Highest Last Dealt Price (as hereinafter defined), where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

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

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11. 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, 13 October 2015

Explanatory Notes on Businesses to be Transacted:–

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

2. 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 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 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) 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 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. Information relating to this proposed resolution is set out in the appendix attached to the annual report.

NOTICE OF ANNUAL GENERAL MEETING

Notes:–

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

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

BOOKS CLOSURE DATE

Subject to approval of Shareholders at the Annual General Meeting, the Register of Members and Share Transfer Books of the Company will be closed on 13 November 2015, for the purpose of determining Members' entitlements to a final dividend of HK9.0 cents per ordinary share for the financial year ended 30 June 2015 (the "**Proposed Final Dividend**").

Duly completed registrable transfers in respect of the shares in the Company received up to the close of business at 5.00 p.m. on 12 November 2015 by the Company's Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.), 80 Robinson Road, #02-00, Singapore 068898 will be registered to determine Members' entitlements to the Proposed Final Dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5.00 p.m. on 12 November 2015 will be entitled to the Proposed Final Dividend.

The Proposed Final Dividend, if approved at the Annual General Meeting, will be paid on 26 November 2015.

PERSONAL DATA PRIVACY:

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

Karin Technology Holdings Limited

STORY BEHIND KARIN'S NAME AND LOGO

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

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

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

It has been 38 years since Mr. Ng started the company and as he continues to seek progress and growth for the Karin Group, the rationale and goals behind the logo and name still hold strong meaning for the Group and remain relevant today.

Karin Technology
Holdings Limited

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