



嘉靈控股集團有限公司

Karin Technology Holdings Limited

(Incorporated in Bermuda on 30 August 2002)
(Company Registration Number 32514)

Half Year Financial Statements And Dividend Announcement
for the Six Months Ended 31 December 2019

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

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

Group half year financial statements for the period ended 31 December 2019. These figures have not been audited.

Group Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2019

	Group		
	6 months to 31 Dec 2019 HK\$'000	6 months to 31 Dec 2018 HK\$'000	% increase/ (decrease)
REVENUE	1,067,176	1,059,763	0.7
Cost of sales	(986,145)	(965,281)	2.2
Gross profit	81,031	94,482	(14.2)
Other income and gains, net	3,898	1,298	200.3
Selling and distribution costs	(34,182)	(33,740)	1.3
Administrative expenses	(36,536)	(36,909)	(1.0)
Other expenses, net	(6,309)	(7,880)	(19.9)
Finance costs	(1,525)	(2,387)	(36.1)
Share of profit of an associate	605	720	(16.0)
PROFIT BEFORE TAX	6,982	15,584	(55.2)
Income tax expense	(1,158)	(4,506)	(74.3)
PROFIT FOR THE PERIOD	<u>5,824</u>	<u>11,078</u>	(47.4)
Profit for the period attributable to:			
Owners of the Company	6,042	11,902	(49.2)
Non-controlling interests	(218)	(824)	(73.5)
	<u>5,824</u>	<u>11,078</u>	(47.4)

Group Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2019 (continued)

	Group		
	6 months to 31 Dec 2019 HK\$'000	6 months to 31 Dec 2018 HK\$'000	% increase/ (decrease)
PROFIT FOR THE PERIOD	5,824	11,078	(47.4)
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Exchange differences on translation of foreign operations	(2,164)	(11,297)	(80.8)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>3,660</u>	<u>(219)</u>	1,771.2
Total comprehensive income/(loss) attributable to:			
Owners of the Company	3,878	605	541.0
Non-controlling interests	(218)	(824)	(73.5)
	<u>3,660</u>	<u>(219)</u>	1,771.2

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

	Group	
	6 months to 31 Dec 2019 HK\$'000	6 months to 31 Dec 2018 HK\$'000
Depreciation	5,088	5,513
Depreciation of right-of-use assets	678	-
Impairment of trade receivables	5,289	7,617
Write-down of inventories to net realisable value and write-off of obsolete inventories	2,446	12,432
Fair value (gain)/loss on derivative financial instruments	(68)	47
Bank interest income	(179)	(218)
Gross rental income	(1,792)	(724)
Interest on bank and other borrowings paid	1,479	2,385
Interest element on finance lease rental payments	11	2
Interest element on lease payment	35	-
Foreign exchange differences, net	990	194
Loss on disposal of items of property, plant and equipment	26	21

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

	Group		Company	
	31 December 2019 HK\$'000	30 June 2019 HK\$'000	31 December 2019 HK\$'000	30 June 2019 HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	82,880	87,853	-	-
Investment properties	76,244	88,808	-	-
Right-of-use assets	1,593	-	-	-
Goodwill	2,098	2,098	-	-
Investment in subsidiaries	-	-	76,308	76,308
Investment in associates	3,404	2,800	-	-
Deferred tax assets	5,413	5,289	-	-
Prepayments	2,814	1,639	-	-
Total non-current assets	<u>174,446</u>	<u>188,487</u>	<u>76,308</u>	<u>76,308</u>
CURRENT ASSETS				
Inventories	173,082	176,096	-	-
Trade and bills receivables	397,675	401,852	-	-
Prepayments, deposits and other receivables	90,842	123,219	-	-
Amounts due from subsidiaries	-	-	50,149	50,257
Financial assets at fair value through profits or losses	1,017	1,017	-	-
Financial assets at fair value through other comprehensive Income	950	950	-	-
Tax recoverable	-	1,460	15	15
Cash and cash equivalents	65,269	73,227	402	627
	<u>728,835</u>	<u>777,821</u>	<u>50,566</u>	<u>50,899</u>
Asset classified as held for sales	12,133	-	-	-
Total current assets	<u>740,968</u>	<u>777,821</u>	<u>50,566</u>	<u>50,899</u>
CURRENT LIABILITIES				
Trade and bills payables	236,790	209,945	-	-
Other payables and accruals	116,434	169,454	1,934	3,465
Amount due to a subsidiary	-	-	1,578	1,010
Tax payable	3,718	4,166	-	-
Derivatives financial instruments	-	68	-	-
Interest-bearing bank and other borrowings	112,393	126,175	-	-
Lease liabilities	1,363	-	-	-
Total current liabilities	<u>470,698</u>	<u>509,808</u>	<u>3,512</u>	<u>4,475</u>
NET CURRENT ASSETS	<u>270,270</u>	<u>268,013</u>	<u>47,054</u>	<u>46,424</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	444,716	456,500	123,362	122,732
NON-CURRENT LIABILITIES				
Deferred tax liabilities	2,424	2,441	-	-
Other payables	2,837	1,728	-	-
Other borrowings	310	357	-	-
Lease liabilities	261	-	-	-
Total non-current liabilities	<u>5,832</u>	<u>4,526</u>	<u>-</u>	<u>-</u>
Net assets	<u>438,884</u>	<u>451,974</u>	<u>123,362</u>	<u>122,732</u>

	Group		Company	
	31 December	30 June	31 December	30 June
	2019	2019	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
EQUITY				
Equity attributable to owners of the Company				
Issued capital	21,476	21,476	21,476	21,476
Treasury shares	(19)	(19)	(19)	(19)
Reserves	<u>418,333</u>	<u>431,205</u>	<u>101,905</u>	<u>101,275</u>
	439,790	452,662	123,362	122,732
Non-controlling interests	(906)	(688)	-	-
Total equity	<u>438,884</u>	<u>451,974</u>	<u>123,362</u>	<u>122,732</u>

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

Amount repayable in one year or less, or on demand

As at 31 December 2019		As at 30 June 2019	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
91	112,302	88	126,087

Amount repayable after one year

As at 31 December 2019		As at 30 June 2019	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
310	-	357	-

Details of any collaterals

The above unsecured bank and other borrowings of HK\$112,302,000 and HK\$126,087,000 included bank borrowings of HK\$112,302,000 and HK\$125,181,000 which were covered by cross guarantees given by the Company and certain of its subsidiaries as at 31 December 2019 and 30 June 2019 respectively.

The finance lease obligations of HK\$401,000 and HK\$445,000 were secured by the underlying assets acquired as at 31 December 2019 and 30 June 2019 respectively.

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

	Group	
	Six months ended 31 December	
	2019 HK\$'000	2018 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	6,982	15,584
Adjustments for:		
Bank interest income	(179)	(218)
Write-down of inventories to net realisable value and write-off of obsolete inventories	2,446	12,432
Depreciation	5,088	5,513
Depreciation of right-of-use assets	678	-
Fair value (gain)/loss on derivative financial instruments, net	(68)	47
Impairment of trade receivables	5,289	7,617
Loss on disposal of items of property, plant and equipment	26	21
Finance costs	1,525	2,387
Share of profit of an associate	(605)	(720)
	<u>21,182</u>	<u>42,663</u>
Decrease/(increase) in inventories	871	(20,531)
Increase in trade and bills receivables	(1,655)	(46,522)
Decrease in factored trade receivables	-	2,979
Decrease/(increase) in prepayments, deposits and other receivables	28,442	(23,844)
Increase/(decrease) in trade and bills payables	28,177	(1,354)
Increase/(decrease) in other payables and accruals	(53,141)	<u>14,460</u>
Cash generated from/(used in) operations	23,876	(32,149)
Interest on bank and other borrowings paid	(1,479)	(2,385)
Interest element on finance lease rental payments	(11)	(2)
Interest element on lease payment	(35)	-
Income tax (refund)/paid	<u>1,941</u>	<u>(9,309)</u>
Net cash flows from/(used in) operating activities	<u>24,292</u>	<u>(43,845)</u>

	Group	
	Six months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
Net cash flows from/(used in) operating activities	<u>24,292</u>	<u>(43,845)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of items of property, plant and equipment	26	-
Purchases of items of property, plant and equipment	(940)	(695)
Interest received	<u>179</u>	<u>218</u>
Net cash flows used in investing activities	<u>(735)</u>	<u>(477)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of employee share options	-	91
New bank and other borrowings	345,216	157,590
Repayment of bank and other borrowings	(358,246)	(53,357)
Principal portion of lease payment	(647)	-
Capital element of finance lease rental payments	(44)	(407)
Dividends paid to the owners of the Company	<u>(16,750)</u>	<u>(25,340)</u>
Net cash flows (used in)/from financing activities	<u>(30,471)</u>	<u>78,577</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,914)	34,255
Cash and cash equivalents at beginning of period	73,227	54,211
Effect of foreign exchange rate changes, net	<u>(1,044)</u>	<u>(627)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>65,269</u></u>	<u><u>87,839</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	65,269	87,839
Time deposits	<u>-</u>	<u>-</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	<u><u>65,269</u></u>	<u><u>87,839</u></u>

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

Group

	Attributable to owners of the Company												
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	General reserve HK\$'000	Other reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2018	21,461	(19)	45,760	898	59	28,996	2,895	(890)	9,982	330,122	439,264	(1,247)	438,017
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(11,297)	11,903	606	(824)	(218)
Issue of shares under the 2005 ESOS	15	-	125	-	(49)	-	-	-	-	-	91	-	91
Final 2018 dividend paid	-	-	-	-	-	-	-	-	-	(25,340)	(25,340)	-	(25,340)
At 31 December 2018	<u>21,476</u>	<u>(19)</u>	<u>45,885</u>	<u>898</u>	<u>10</u>	<u>28,996</u>	<u>2,895</u>	<u>(890)</u>	<u>(1,315)</u>	<u>316,685</u>	<u>414,621</u>	<u>(2,071)</u>	<u>412,550</u>

Group

	Attributable to owners of the Company											
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Land and buildings revaluation reserve HK\$'000	General reserve HK\$'000	Other reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2019	21,476	(19)	45,885	898	57,810	3,083	(890)	(1,817)	326,236	452,662	(688)	451,974
Total comprehensive income for the period	-	-	-	-	-	-	-	(2,164)	6,042	3,878	(218)	3,660
Final 2019 dividend paid	-	-	-	-	-	-	-	-	(16,750)	(16,750)	-	(16,750)
At 31 December 2019	<u>21,476</u>	<u>(19)</u>	<u>45,885</u>	<u>898</u>	<u>57,810</u>	<u>3,083</u>	<u>(890)</u>	<u>(3,981)</u>	<u>315,528</u>	<u>439,790</u>	<u>(906)</u>	<u>438,884</u>

Company

	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 July 2018	21,461	(19)	45,760	36,311	59	18,917	122,489
Total comprehensive income for the period	-	-	-	-	-	23,922	23,922
Issue of shares under the 2005 ESOS	15	-	125	-	(49)	-	91
Final 2018 dividend paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,340)</u>	<u>(25,340)</u>
At 31 December 2018	<u>21,476</u>	<u>(19)</u>	<u>45,885</u>	<u>36,311</u>	<u>10</u>	<u>17,499</u>	<u>121,162</u>
At 1 July 2019	21,476	(19)	45,885	36,311	-	19,079	122,732
Total comprehensive income for the period	-	-	-	-	-	17,380	17,380
Final 2019 dividend paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,750)</u>	<u>(16,750)</u>
At 31 December 2019	<u>21,476</u>	<u>(19)</u>	<u>45,885</u>	<u>36,311</u>	<u>-</u>	<u>19,709</u>	<u>123,362</u>

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

As at 1 July 2019, the Company held 12,000 (1 July 2018: 12,000) treasury shares. During the six months ended 31 December 2019, the Company had not purchased any (31 December 2018: Nil) of the Shares pursuant to the 2009 Share Buyback mandate.

As at 31 December 2019, the Company held 12,000 (30 June 2019: 12,000) treasury shares or 0.0056% (30 June 2019: 0.0056%) of the Company's issued shares.

During the six months ended 31 December 2019, the Company had not issued any (6 months ended 31 December 2018: 150,000) new shares, upon the exercise of options under the Karin Employees Share Option Scheme.

During the second half for the year ended 30 June 2019, the Company had not issued any new shares, upon the exercise of options under the Karin Employee Share Option Scheme.

	6 months to 31 Dec 2019			6 months to 31 Dec 2018		
Exercise price per share	S\$0.1264	S\$0.1608	S\$0.1060	S\$0.1264	S\$0.1608	S\$0.1060
Number of new shares issued	-	-	-	-	-	150,000

As at 31 December 2019 and 30 June 2019, the Company's share capital was HK\$21,476,000 comprising 214,760,000 ordinary shares.

There were no share options outstanding as at 31 December 2019 and 30 June 2019.

During the six months ended 31 December 2019, the Company did not have any shares subdivision nor consolidation.

During the six months ended 31 December 2019, the Company's subsidiaries had not purchased nor held any of the Company's shares (30 June 2019: Nil).

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

Total number of issued shares excluding treasury shares as at 31 December 2019 and 30 June 2019 was 214,748,000.

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

There were no sales, transfers, disposal, cancellation nor use of treasury shares during the period under review (for the six months ended 31 December 2018: Nil).

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There were no sales, transfer, cancellation nor use of subsidiary holdings during the period under review (for the six months ended 31 December 2018: Nil).

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

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

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

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:—

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

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

Except as disclosed in item 5 below, there is no change in the accounting policies adopted by the Group for the six months ended 31 December 2019. For details of accounting policies, please refer to Annual Report 2019.

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

The Group has adopted the following new and revised/amendments to International Financial Reporting Standards (“IFRSs”) for the first time in the financial statements for the financial year ending 30 June 2020:

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements 2015-2017 Cycle	<i>Amendments to IFRS 3, IFRS 11, IAS 12 and IAS</i>

Other than as explained below regarding the impact of IFRS 16, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

IFRS 16 replaces IAS 17 *Leases*, IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 *Operating Leases - Incentives and SIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 July 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 July 2019, and the comparative information for prior periods was not restated and continued to be reported under IAS 17 and related interpretations.

The impact arising from the adoption of IFRS 16 at 1 July 2019 was as follows:

	Increase/ (decrease)
	HK\$'000
Assets	
Increase in right-of-use assets	<u>2,271</u>
Liabilities	
Increase in lease liabilities	<u>2,271</u>

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

Group

	Six months ended 31 December	
	2019	2018
Earnings per ordinary share of the Group, after deducting any provision for preference dividends (in HK cents):		
- Based on weighted average number of ordinary shares on issue (HK cents)	<u>2.81</u>	<u>5.55</u>
- On a fully diluted basis (HK cents)	<u>2.81</u>	<u>5.55</u>
Profit attributable to the owners of the Company for earnings per share (HK\$'000)	<u>6,042</u>	<u>11,902</u>

The calculation of basic earnings per share for the six months ended 31 December 2019 and 2018 is based on the profit attributable to the ordinary shareholders of the Company for the respective periods and the weighted average of 214,748,000 and 214,654,250 ordinary shares in issue respectively, which has taken into account the effect of treasury shares.

The calculation of diluted earnings per share amounts is based on the profit attributable to ordinary shareholders of the Company for the respective periods and 214,748,000 (2018: 214,654,250) ordinary shares, which was the weighted average of 214,748,000 (2018: 214,654,250) ordinary shares in issue during the six months ended 31 December 2019, and the weighted average of Nil (2018: Nil) ordinary shares deemed to have been issued at no consideration on the deemed exercise of all outstanding share options during the period under review.

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

	<u>Group</u>		<u>Company</u>	
	As at 31 December 2019	As at 30 June 2019	As at 31 December 2019	As at 30 June 2019
Net asset value per ordinary share (HK cents)	204.4	210.5	57.4	57.2

Net asset value per ordinary share as at 31 December 2019 and 30 June 2019 was calculated based on the issued share capital excluding treasury shares of 214,748,000 ordinary shares as at 31 December 2019 and 30 June 2019.

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

Profit and Loss

Revenue

Consolidated revenue of the Group for the six months ended 31 December 2019 increased by HK\$7.4 million or 0.7% to HK\$1,067.2 million from HK\$1,059.8 million for the corresponding period last year.

Revenue from our Components Distribution (“CD”) segment decreased by HK\$99.8 million or 22.4%, from HK\$445.8 million for the six months ended 31 December 2018 to HK\$346.0 million for the six months ended 31 December 2019. The decrease was mostly due to the continued slowed down in orders from customers on certain electronic component modules for smart phones as explained in the FY19 final results announcement.

Revenue from our Information Technology Infrastructure (“IT Infrastructure”) segment increased by HK\$73.8 million or 14.9%, from HK\$496.7 million for the six months ended 31 December 2018 to HK\$570.5 million for the six months ended 31 December 2019. The increase was mostly due to strong demand in network security products, cloud solution services and data visualization tools during the period under review.

Revenue (continued)

Revenue from our Consumer Electronics Products (“CEP”) segment increased by HK\$33.4 million or 28.5%, from HK\$117.3 million for the six months ended 31 December 2018 to HK\$150.7 million for the six months ended 31 December 2019. The increase was mostly due to the securing of a few more distribution rights for prestigious CEP brands during the period under review.

Gross profit

Gross profit decreased by HK\$13.5 million or 14.2%, from HK\$94.5 million for the six months ended 31 December 2018 to HK\$81.0 million for the six months ended 31 December 2019. The decrease in gross profit was mostly due to (1) fierce competition in all three business segments; and (2) certain aged inventories under CD segment were sold at relatively low margin during the period under review before these become obsolete.

Other income and gains, net

The net other income and gains increased by approximately HK\$2.6 million or 200.3%, from HK\$1.3 million for the six months ended 31 December 2018 to HK\$3.9 million for the six months ended 31 December 2019. The increase was mainly due to (1) HK\$0.9 million subsidy received from the PRC local Government for high technology development on certain electronic component modules; and (2) HK\$1.1 million rental income on leasing out a floor in Hong Kong during the period under review.

Selling and distribution costs

Selling and distribution costs increased by approximately HK\$0.5 million or 1.3% from HK\$33.7 million for the six months ended 31 December 2018 to HK\$34.2 million for the six months ended 31 December 2019. The increase was due to the hiring of more IT Infrastructure technical service engineers.

Administrative expenses

Administrative expenses decreased by approximately HK\$0.4 million or 1.0%, from HK\$36.9 million for the six months ended 31 December 2018 to HK\$36.5 million for the six months ended 31 December 2019. The decrease was mainly due to (1) the decrease in bonus of HK\$0.4 million as a result of decreased in net profit; (2) the decrease in depreciation of HK\$0.4 million and (3) offset by the increase in IT hardware expenses of HK\$0.4 million.

Other expenses, net

Net other expenses decreased by approximately HK\$1.6 million or 19.9%, from HK\$7.9 million for the six months ended 31 December 2018 to HK\$6.3 million for the six months ended 31 December 2019. The change was mainly due to (1) the decrease in provision of bad debt of HK\$2.3 million; and (2) offset by the increase in exchange loss of HK\$0.8 million during the period under review.

Finance costs

Finance costs decreased by approximately HK\$0.9 million or 36.1%, from HK\$2.4 million for the six months ended 31 December 2018 to HK\$1.5 million for the six months ended 31 December 2019. The decrease was due to less bank borrowings during the period under review.

Income tax expense

The effective income tax expense rate for the period under review was 16.6% (31 December 2018: 28.9%).

Net Profit

Net profit attributable to owners of the Company decreased by HK\$5.9 million or 49.2%, from HK\$11.9 million for the six months ended 31 December 2018 to HK\$6.0 million for the six months ended 31 December 2019. The decrease was mainly attributable to the decrease in gross profit of HK\$13.5 million as explained above.

Statement of Financial Position

Non-current assets

As at 31 December 2019, non-current assets comprised goodwill of HK\$2.1 million; investment properties, office equipment, leasehold land and buildings and motor vehicles totaling HK\$159.1 million; right-of-use assets HK\$1.6 million; investment in an associate of HK\$3.4 million; prepayment of HK\$2.8 million and deferred tax assets of HK\$5.4 million. Total non-current assets amounted to HK\$174.4 million, representing approximately 19.1% of the total assets. There was a decrease in non-current assets amounted to approximately HK\$14.1 million.

Further to the announcements dated 19 and 27 November 2019 in relation to sale of property units in Shanghai, the sales had not been completed as at 31 December 2019. As a result, value of those property units of HK\$12,133 million had been reclassified from Investment properties under Non-current assets to Asset classified as held for sales under Current asset.

Current assets

As at 31 December 2019, current assets amounted to approximately HK\$741.0 million, a decrease of HK\$36.8 million compared to the immediately preceding financial year end as at 30 June 2019. The decrease was mainly due to (1) decrease in cash and cash equivalent by HK\$7.9 million; (2) decrease in prepayments, deposits and other receivables by HK\$32.4 million; (3) decrease in Inventories by HK\$3.0 million; (4) decrease in Trade and bill receivables by HK\$4.2 million; and (5) offset by increase in Asset classified as held for sales by HK\$12.1 million.

Current liabilities

As at 31 December 2019, current liabilities amounted to approximately HK\$470.7 million, a decrease of HK\$39.1 million compared to the immediately preceding financial year end as at 30 June 2019. The decrease was mainly due to (1) decrease in interest-bearing bank and other borrowings by HK\$13.8 million; (2) decrease in other payables and accruals by HK\$53.0 million and offset by (3) increase in trade and bills payables by HK\$26.8 million.

Non-current liabilities

Non-current liabilities amounted to HK\$5.8 million, representing 1.2% of our total liabilities as at 31 December 2019. The amount mostly comprised of deferred tax liabilities. Deferred tax liabilities were recognised as a result of temporary differences between the carrying amounts and tax bases of property, plant and equipment due to depreciation.

Liquidity and cash flow

As at 31 December 2019, cash and cash equivalents amounted to approximately HK\$65.3 million. Total interest bearing loans and other borrowings as at 31 December 2019 were HK\$112.7 million and the gearing ratio, which is defined as total borrowings, finance leases payables and lease liabilities (30 June 2019: total borrowings and finance leases payables) to shareholders' funds, is 0.26 times (30 June 2019: 0.28 times).

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

Not applicable.

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

The company is monitoring the current COVID-19 outbreak in the PRC and other parts of the world. While there may be adverse impact on all three of our segments in the next 6 months the company remains confident in the mid and long term prospects of our business.

There may be a slowdown in sales and delivery due to supply chain disruption and project delivery schedule delays as a result of the COVID-19 outbreak described above, the trade dispute between the PRC and the US and the unrest in Hong Kong. Nevertheless, demand is solid from our customers and the Group has already set up business continuity plans to mitigate disruptions to our businesses.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

Yes. Tax not applicable interim dividend of HK3.9 cents per share amounting to a total of HK\$8,375,000 have been proposed and declared by the Directors.

Name of dividend	Interim
Dividend type	Cash
Dividend amount per share (in HK cents)	3.9 cents per share
Par value of share (in HK cents)	10 cents per share
Tax rate	Not applicable

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Yes.

Name of dividend	Interim	Final
Dividend type	Cash	Cash
Dividend amount per share (in HK cents)	5.8 cents per share	7.8 cents per share
Par value of share (in HK cents)	10 cents per share	10 cents per share
Tax rate	Not applicable	Not applicable

(c) Date payable

19 March 2020

11. Dividend (continued)

(d) Record date

4 March 2020

The Register of Members and Share Transfer Books of Karin Technology Holdings Limited (the “**Company**”) will be closed on 5 March 2020, for the preparation of dividend warrants to the proposed interim dividend of HK3.9 cents for the financial year ending 30 June 2020 (“**Interim Dividend**”).

Duly completed registrable transfers in respect of the shares in the Company received up to 5:00 p.m. on 4 March 2020 (“**Record Date**”) by the Company’s Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), 80 Robinson Road, #02-00 Singapore 068898 will be registered to determine Members’ entitlements to the Interim Dividends. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5:00 p.m. on the Record Date will be entitled to the Interim Dividend.

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

Not applicable.

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

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

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

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the financial results of the six months ended 31 December 2019 to be false or misleading in any material respect. A statement signed by two directors is on record.

We, Ng Kin Wing and Ng Mun Kit Michael, being two directors of the Company, do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial results of the six months ended 31 December 2019 to be false or misleading in any material respect.

On behalf of the board of directors

Ng Kin Wing
Executive Chairman/CEO

Ng Mun Kit Michael
Executive Director

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

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

BY ORDER OF THE BOARD

Ng Kin Wing
Executive Chairman/CEO

13 February 2020