



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 2017

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 2017. These figures have not been audited.

Group Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2017

	Group		
	6 months to 31 Dec 2017	6 months to 31 Dec 2016 (restated)*	% increase/ (decrease)
	HK\$'000	HK\$'000	
REVENUE	1,053,816	943,531	11.7
Cost of sales	(979,233)	(856,886)	14.3
Gross profit	74,583	86,645	(13.9)
Other income and gains, net	3,991	2,050	94.7
Selling and distribution costs	(29,998)	(29,507)	1.7
Administrative expenses	(39,322)	(37,932)	3.7
Other expenses, net	(1,780)	(3,249)	(45.2)
Finance costs	(1,576)	(1,240)	27.1
Share of profit of an associate	99	529	(81.3)
PROFIT BEFORE TAX	5,997	17,296	(65.3)
Income tax expense	(2,265)	(3,021)	(25.0)
PROFIT FOR THE PERIOD	<u>3,732</u>	<u>14,275</u>	(73.9)
Profit for the period attributable to:			
Owners of the Company	3,230	14,060	(77.0)
Non-controlling interests	<u>502</u>	<u>215</u>	133.5
	<u>3,732</u>	<u>14,275</u>	(73.9)

Group Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2017 (continued)

	Group		
	6 months to 31 Dec 2017	6 months to 31 Dec 2016 (restated)*	% increase/ (decrease)
	HK\$'000	HK\$'000	
PROFIT FOR THE PERIOD	3,732	14,275	(73.9)
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Exchange differences on translation of foreign operations	(4,815)	(8,101)	(40.6)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD	<u>(1,083)</u>	<u>6,174</u>	NM
Total comprehensive income/(loss) attributable to:			
Owners of the Company	(1,585)	5,959	NM
Non-controlling interests	<u>502</u>	<u>215</u>	133.5
	<u>(1,083)</u>	<u>6,174</u>	NM

NM: Not Meaningful

* Comparative figures have been restated upon the change in accounting policy of leasehold land and buildings. Details are set out in Note 5.

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

	Group	
	6 months to 31 Dec 2017	6 months to 31 Dec 2016 (restated)*
	HK\$'000	HK\$'000
Depreciation	12,832	11,354
Impairment of trade receivables	1,174	1,247
Write-down/(reversal of write-down) of inventories to net realisable value and write-off of obsolete inventories	4,367	(478)
Fair value loss on derivative financial instruments	605	136
Bank interest income	(175)	(130)
Gross rental income	(742)	(746)
Foreign exchange differences, net	(1,963)	1,859
Gain on disposal of items of property, plant and equipment	-	(56)

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 2017 HK\$'000	30 June 2017 (restated)* HK\$'000	1 July 2016 (restated)* HK\$'000	31 December 2017 HK\$'000	30 June 2017 HK\$'000	1 July 2016 HK\$'000
NON-CURRENT ASSETS						
Property, plant and equipment	104,517	113,649	129,547	-	-	-
Investment properties	32,138	30,942	30,071	-	-	-
Goodwill	2,098	2,098	2,098	-	-	-
Investment in subsidiaries	-	-	-	76,308	76,308	76,308
Investment in an associate	1,927	1,828	1,148	-	-	-
Financial asset at fair value through profit or loss	1,879	1,663	2,401	-	-	-
Deferred tax assets	3,658	3,658	1,649	-	-	-
Factored trade receivables	950	1,900	2,850	-	-	-
Prepayments	349	349	598	-	-	-
Trade receivable	5,819	5,819	9,106	-	-	-
Total non-current assets	<u>153,335</u>	<u>161,906</u>	<u>179,468</u>	<u>76,308</u>	<u>76,308</u>	<u>76,308</u>
CURRENT ASSETS						
Financial assets at fair value through profit or loss	-	9,939	-	-	-	-
Inventories	198,102	134,950	194,016	-	-	-
Trade and bills receivables	406,585	383,801	370,082	-	-	-
Factored trade receivables	950	7,192	1,566	-	-	-
Prepayments, deposits and other receivables	73,517	51,878	86,918	-	-	-
Amounts due from subsidiaries	-	-	-	49,295	49,886	48,755
Forward currency contracts	268	873	347	-	-	-
Income tax recoverable	-	-	17	-	-	17
Cash and cash equivalents	74,831	56,950	34,148	759	475	1,322
Total current assets	<u>754,253</u>	<u>645,583</u>	<u>687,094</u>	<u>50,054</u>	<u>50,361</u>	<u>50,094</u>
CURRENT LIABILITIES						
Trade and bills payables	249,833	197,459	201,593	-	-	-
Other payables and accruals	100,718	89,777	91,690	208	690	1,166
Amounts due to a subsidiary	-	-	-	621	621	-
Income tax payable	2,310	9,599	10,145	-	-	-
Interest-bearing bank and other borrowings	149,731	94,977	141,121	-	-	-
Total current liabilities	<u>502,592</u>	<u>391,812</u>	<u>444,549</u>	<u>829</u>	<u>1,311</u>	<u>1,166</u>
NET CURRENT ASSETS	<u>251,661</u>	<u>253,771</u>	<u>242,545</u>	<u>49,225</u>	<u>49,050</u>	<u>48,928</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	404,996	415,677	422,013	125,533	125,358	125,236
NON-CURRENT LIABILITIES						
Other borrowings	6,491	3,853	2,888	-	-	-
Deferred tax liabilities	17,211	17,275	13,125	-	-	-
Total non-current liabilities	<u>23,702</u>	<u>21,128</u>	<u>16,013</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets	<u>381,294</u>	<u>394,549</u>	<u>406,000</u>	<u>125,533</u>	<u>125,358</u>	<u>125,236</u>

	Group			Company		
	31 December 2017	30 June 2017 (restated)*	1 July 2016 (restated)*	31 December 2017	30 June 2017	1 July 2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
EQUITY						
Equity attributable to owners of the Company						
Issued capital	21,461	21,461	21,446	21,461	21,461	21,446
Treasury shares	(19)	(19)	(19)	(19)	(19)	(19)
Reserves	<u>361,209</u>	<u>374,966</u>	<u>386,425</u>	<u>104,091</u>	<u>103,916</u>	<u>103,809</u>
	382,651	396,408	407,852	125,533	125,358	125,236
Non-controlling interests	(1,357)	(1,859)	(1,852)	-	-	-
Total equity	<u>381,294</u>	<u>394,549</u>	<u>406,000</u>	<u>125,533</u>	<u>125,358</u>	<u>125,236</u>

* Comparative figures have been restated upon the change in accounting policy of leasehold land and buildings. Details are set out in Note 5.

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 2017		As at 30 June 2017	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
173	149,558	167	94,810

Amount repayable after one year

As at 31 December 2017		As at 30 June 2017	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
48	6,443	133	3,720

Details of any collaterals

The above unsecured bank and other borrowings of HK\$156,001,000 and HK\$98,530,000 included bank borrowings of HK\$137,958,000 and HK\$92,116,000 which were covered by cross guarantees given by the Company and certain of its subsidiaries as at 31 December 2017 and 30 June 2017 respectively.

The finance lease obligations of HK\$221,000 and HK\$300,000 were secured by the underlying assets acquired as at 31 December 2017 and 30 June 2017 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	
	2017 HK\$'000	2016 HK\$'000 (restated)*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	5,997	17,296
Adjustments for:		
Bank interest income	(175)	(130)
Write-down/(reversal of written-down) of inventories to net realisable value and write-off of obsolete inventories	4,367	(478)
Depreciation	12,832	11,354
Fair value loss on derivative financial instruments, net	605	136
Impairment of trade receivables	1,174	1,247
Gain on disposal of items of property, plant and equipment	-	(56)
Finance costs	1,576	1,240
Share of profit of an associate	(99)	(529)
	<u>26,277</u>	<u>30,080</u>
Decrease/(increase) in inventories	(67,519)	58,591
Decrease/(increase) in trade and bills receivables	(24,174)	10,400
Decrease in factored trade receivables	7,192	1,034
Decrease/(increase) in prepayments, deposits and other receivables	(21,639)	15,463
Increase/(decrease) in trade and bills payables	52,374	(28,446)
Increase in other payables and accruals	<u>10,941</u>	<u>20,177</u>
Cash generated from/(used in) operations	(16,548)	107,299
Interest on bank and other borrowings paid	(1,570)	(1,230)
Interest element on finance lease rental payments	(6)	(10)
Dividends paid to the owners of the Company	(21,030)	(25,305)
Income tax paid	<u>(9,006)</u>	<u>(7,918)</u>
Net cash flows from/(used in) operating activities	<u>(48,160)</u>	<u>72,836</u>

	Group	
	Six months ended	
	31 December	
	2017	2016
	HK\$'000	HK\$'000
Net cash flows from/(used in) operating activities	(48,160)	72,836
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of items of property, plant and equipment	-	146
Proceeds from sales of a subsidiary	-	17,691
Proceed from sales of financial assets at fair value through profit or loss	9,939	-
Purchases of items of property, plant and equipment	(1,089)	(12,325)
Tax refund of purchases of an investment property	-	1,411
Interest received	175	130
Net cash flows from investing activities	9,025	7,053
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	933,166	999,401
Repayment of bank and other borrowings	(872,865)	(1,045,464)
Capital element of finance lease rental payments	(799)	(77)
Net cash flows from/(used in) financing activities	59,502	(46,140)
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,367	33,749
Cash and cash equivalents at beginning of period	56,950	34,148
Effect of foreign exchange rate changes, net	(2,486)	(7,596)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>74,831</u>	<u>60,301</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	59,354	40,432
Time deposits	15,477	19,869
Cash and cash equivalents as stated in the consolidated statement of financial position	<u>74,831</u>	<u>60,301</u>

* Comparative figures have been restated upon the change in accounting policy of leasehold land and buildings. Details are set out in Note 5.

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	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2016, as previously reported	21,446	(19)	45,587	898	115	321,940	2,826	269	286,188	679,250	(1,852)	677,398
Impact of change in accounting policy (Note 5)	-	-	-	-	-	(321,940)	-	10,756	39,786	(271,398)	-	(271,398)
At 1 July 2016, as restated	21,446	(19)	45,587	898	115	-	2,826	11,025	325,974	407,852	(1,852)	406,000
Total comprehensive income for the period, as restated	-	-	-	-	-	-	-	(8,101)	(26,714)	(34,815)	215	(34,600)
Final 2016 dividend paid	-	-	-	-	-	-	-	-	(25,305)	(25,305)	-	(25,305)
At 31 December 2016, as restated	<u>21,446</u>	<u>(19)</u>	<u>45,587</u>	<u>898</u>	<u>115</u>	<u>-</u>	<u>2,826</u>	<u>2,924</u>	<u>273,955</u>	<u>347,732</u>	<u>(1,637)</u>	<u>346,095</u>

Group

	Attributable to owners of the Company												
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	General reserve HK\$'000	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 2017, as previously reported	21,461	(19)	45,760	898	59	368,347	2,895	(890)	(503)	252,368	690,376	(1,859)	688,517
Impact of change in accounting policy (Note 5)	-	-	-	-	-	(368,347)	-	-	13,852	60,526	(293,969)	-	(293,969)
At 1 July 2017, as restated	21,461	(19)	45,760	898	59	-	2,895	(890)	13,349	312,894	396,407	(1,859)	394,548
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(4,815)	12,089	7,274	502	7,776
Final 2017 dividend paid	-	-	-	-	-	-	-	-	-	(21,030)	(21,030)	-	(21,030)
At 31 December 2017	<u>21,461</u>	<u>(19)</u>	<u>45,760</u>	<u>898</u>	<u>59</u>	<u>-</u>	<u>2,895</u>	<u>(890)</u>	<u>8,534</u>	<u>303,953</u>	<u>382,651</u>	<u>(1,357)</u>	<u>381,294</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 2016	21,446	(19)	45,587	36,311	115	21,796	125,236
Total comprehensive income for the period	-	-	-	-	-	25,384	25,384
Final 2016 dividend paid	-	-	-	-	-	(25,305)	(25,305)
At 31 December 2016	<u>21,446</u>	<u>(19)</u>	<u>45,587</u>	<u>36,311</u>	<u>115</u>	<u>21,875</u>	<u>125,315</u>
At 1 July 2017	21,461	(19)	45,760	36,311	59	21,786	125,358
Total comprehensive income for the period	-	-	-	-	-	21,205	21,205
Final 2017 dividend paid	-	-	-	-	-	(21,030)	(21,030)
At 31 December 2017	<u>21,461</u>	<u>(19)</u>	<u>45,760</u>	<u>36,311</u>	<u>59</u>	<u>21,961</u>	<u>125,533</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State 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 2017, the Company held 12,000 (1 July 2016: 12,000) treasury shares. During the six months ended 31 December 2017, the Company had not purchased any (31 December 2016: Nil) of the Shares pursuant to the 2009 Share Buyback mandate.

During the six months ended 31 December 2017, the Company had not issued any (31 December 2016: Nil) new shares, upon the exercise of options under the Karin Employees Share Option Scheme.

As at 31 December 2017, the Company held 12,000 (30 June 2017: 12,000) treasury shares or 0.0056% (30 June 2017: 0.0056%) of the Company's issued shares.

During the second half for the year ended 30 June 2017, the Company issued 150,000 new shares, upon the exercise of options under the Karin Employee Share Option Scheme.

	6 months to 31 Dec 2017			6 months to 31 Dec 2016		
	S\$0.1264	S\$0.1608	S\$0.1060	S\$0.1264	S\$0.1608	S\$0.1060
Exercise price per share						
Number of new shares issued	-	-	-	-	-	-

As at 31 December 2017 and 30 June 2017, the Company's share capital was HK\$21,461,000 comprising 214,610,000 ordinary shares.

The share options outstanding as at 31 December 2017 and 30 June 2017 was 150,000 which could be convertible to 150,000 ordinary shares of the Company upon exercise.

During the six months ended 31 December 2017, the Company's subsidiaries had not purchased nor held any of the Company's shares (30 June 2017: 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 2017 and 30 June 2017 was 214,598,000.

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.

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.

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

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

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

Not applicable.

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

Except as described in point 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the six months ended 31 December 2017 as compared with the restated audited financial statements of the Group for the year ended 30 June 2017.

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 2017:

Amendments to IAS 7	<i>Disclosure Initiative</i>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised losses</i>
Amendments to IFRS 12 included in annual improvements 2014-2016 cycle	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12</i>

The adoption of the above new and revised/amendments to IFRSs, has had no significant financial effect in these financial statements for the period ended 31 December 2017.

In accordance with IAS 16 “Property, Plant and Equipment”, leasehold land and buildings can either be accounted for using the cost model or the revaluation model after their initial recognition. The Group accounted for its leasehold land and buildings using the revaluation model in previous years. Effective from 1 July 2017, the Group stated its leasehold land and buildings at cost less accumulated depreciation and any impairment losses, because cost model is more common accounting practice. In the opinion of the directors, this change in the accounting policy enables the Group to provide more transparent view of the operating numbers in the financial statements about its performance and financial position.

As a result of the adoption of the cost model under IAS 16, the Group has changed its accounting policy with respect to leasehold land and buildings. This change in accounting policy has been applied retrospectively by restating the balances as at 30 June 2017 and 1 July 2016 and the results for the six months ended 31 December 2016. Based on the change of accounting policy with respect to leasehold land and buildings, the Group’s profit for the six months ended 31 December 2016 increased approximately HK\$8.9 million and the Group’s net assets as at 30 June 2017 decreased approximately HK\$315.4 million.

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	
	2017	2016 (restated)*
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>1.51</u>	<u>6.56</u>
- On a fully diluted basis (HK cents)	<u>1.50</u>	<u>6.55</u>
Profit attributable to the owners of the Company for earnings per share (HK\$'000)	<u>3,230</u>	<u>14,060</u>

The calculation of basic earnings per share for the six months ended 31 December 2017 and 2016 is based on the profit attributable to the ordinary shareholders of the Company for the respective periods and the weighted average of 214,598,000 and 214,448,000 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 214,696,638 (2016: 214,605,983) ordinary shares, which was the weighted average of 214,598,000 (2016: 214,448,000) ordinary shares in issue during the six months ended 31 December 2017, and the weighted average of 98,638 (2016: 157,983) ordinary shares deemed to have been issued at no consideration on the deemed exercise of all outstanding share options during the period under review.

* Comparative figures have been restated upon the change in accounting policy of leasehold land and buildings. Details are set out in Note 5.

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.

	Group		Company	
	As at 31 December 2017	As at 30 June 2017 (restated)*	As at 31 December 2017	As at 30 June 2017
Net asset value per ordinary share (HK cents)	177.7	183.9	58.5	58.4

Net asset value per ordinary share as at 31 December 2017 and 30 June 2017 was calculated based on the issued share capital excluding treasury shares of 214,598,000 ordinary shares as at 31 December 2017 and 30 June 2017.

* Comparative figures have been restated upon the change in accounting policy of leasehold land and buildings. Details are set out in Note 5.

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 2017 increased by HK\$110.3 million or 11.7% to HK\$1,053.8 million from HK\$943.5 million for the corresponding period last year.

Revenue from our Components Distribution (“CD”) segment increased by HK\$13.6 million or 3.1%, from HK\$441.6 million for the six months ended 31 December 2016 to HK\$455.2 million for the six months ended 31 December 2017. The increase was mostly due to rise in demand for certain electronic components for smartphones and wireless application devices during the period under review.

Revenue from our Information Technology Infrastructure (“IT Infrastructure”) segment increased by HK\$96.6 million or 20.5%, from HK\$471.1 million for the six months ended 31 December 2016 to HK\$567.7 million for the six months ended 31 December 2017. The increase was mostly due to strong demand in network security products and cloud solution services during the period under review.

Revenue (continued)

Revenue from our Consumer Electronics Products (“CEP”) segment increased slightly by HK\$0.1 million or 0.3%, from HK\$30.8 million for the six months ended 31 December 2016 to HK\$30.9 million for the six months ended 31 December 2017.

Gross profit

Gross profit decreased by HK\$12.0 million or 13.9%, from HK\$86.6 million for the six months ended 31 December 2016 to HK\$74.6 million for the six months ended 31 December 2017. The decrease in gross profit was mostly due to (1) fierce competition in all three business segments; and (2) write-down of HK\$4.4 million (31 December 2016: reversal of write-down of HK\$0.5 million) of inventories to net realizable value and write-off of obsolete inventories which is included in “Cost of Sales” on the face of the consolidated statement of profit or loss and other comprehensive income.

Other income and gains, net

The net other income and gains increased by approximately HK\$2.0 million or 94.7%, from HK\$2.0 million for the six months ended 31 December 2016 to HK\$4.0 million for the six months ended 31 December 2017. The increase included exchange gains of HK\$2.0 million during the period under review.

Selling and distribution costs

Selling and distribution costs increased by approximately HK\$0.5 million or 1.7% from HK\$29.5 million for the six months ended 31 December 2016 to HK\$30.0 million for the six months ended 31 December 2017.

Administrative expenses

Administrative expenses increased by approximately HK\$1.4 million or 3.7%, from HK\$37.9 million for the six months ended 31 December 2016 to HK\$39.3 million for the six months ended 31 December 2017. The increase was mainly due to increase in depreciation of HK\$1.5 million.

Other expenses, net

Net other expenses decreased by approximately HK\$1.4 million or 45.2%, from HK\$3.2 million for the six months ended 31 December 2016 to HK\$1.8 million for the six months ended 31 December 2017. The change was mainly due to absence of exchange losses of HK\$2.0 million during the period under review.

Finance costs

Finance costs increased by approximately HK\$0.4 million or 27.1%, from HK\$1.2 million for the six months ended 31 December 2016 to HK\$1.6 million for the six months ended 31 December 2017. The increased cost was mainly due to increase in working capital requirements.

Income tax expense

The effective income tax expense rate for the period under review was 37.8% (31 December 2016: 17.5%). The increase was mainly due to loss on certain subsidiaries reduced consolidated profit before tax but did not reduce consolidated income tax expense.

Net Profit

Net profit attributable to owners of the Company decreased by HK\$10.9 million or 77.0%, from HK\$14.1 million for the six months ended 31 December 2016 to HK\$3.2 million for the six months ended 31 December 2017. The decrease was mainly attributable to decrease in gross profit as explained above.

Statement of Financial Position

Non-current assets

As at 31 December 2017, non-current assets comprised goodwill of HK\$2.1 million; investment properties, office equipment, leasehold land and buildings and motor vehicles totaling HK\$136.7 million; investment in an associate of HK\$1.9 million; prepayment for office renovation of HK\$0.3 million; a factored trade receivables of HK\$0.9 million; financial asset at fair value through profit or loss of HK\$1.9 million; a trade receivable of HK\$5.8 million and deferred tax assets of HK\$3.7 million. Total non-current assets amounted to HK\$153.3 million, representing approximately 16.9% of the total assets. There was a decrease in non-current assets amounted to approximately HK\$8.6 million.

Current assets

As at 31 December 2017, current assets amounted to approximately HK\$754.3 million, an increase of HK\$108.7 million compared to the immediately preceding financial year end as at 30 June 2017. The increase was mainly due to (1) increase inventories by HK\$63.2 million; (2) increase in trade and bills receivables by HK\$22.8 million; (3) increase in prepayments, deposits and other receivables by HK\$21.6 million.

Current liabilities

As at 31 December 2017, current liabilities amounted to approximately HK\$502.6 million, an increase of HK\$110.8 million compared to the immediately preceding financial year end as at 30 June 2017. The increase was mainly due to (1) increase in trade and bills payables by HK\$52.4 million; (2) increase in interest-bearing bank and other borrowings by HK\$54.8 million; (3) increase in other payables and accruals by HK\$10.9 million and offset by (4) decrease in income tax payable by HK\$7.3 million.

Non-current liabilities

Non-current liabilities amounted to HK\$23.7 million, representing 4.5% of our total liabilities as at 31 December 2017. 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 2017, cash and cash equivalents amounted to approximately HK\$74.8 million. Total interest bearing loans and other borrowings as at 31 December 2017 were HK\$156.2 million and the gearing ratio, which is defined as total borrowings and finance leases payables to shareholders' funds, is 0.41 times (30 June 2017: 0.25 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.

Given new high end smartphones models have been releasing gradually into the market through certain smartphone makers and more functions are to be embedded in wireless controlled home and medical appliances, it is anticipated demand for certain electronic components for smartphones and wireless application devices remains. Project based application specific integrated circuits are expected to materialise.

Based on the increase in demand in network security products and cloud solution services during the period under review, we foresee revenue generates through the IT Infrastructure segment will continue to be strong.

Revenue in the CEP segment during the period under review was very much the same as the corresponding period of the immediately preceding period. Having successfully secured distributorships for a few prestige consumer electronic products for slightly over six months, we anticipate revenue will grow progressively.

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 HK6.8 cents per share amounting to a total of HK\$14,593,000 have been proposed and declared by the Directors.

Name of dividend	Interim
Dividend type	Cash
Dividend amount per share (in HK cents)	6.8 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)	7.8 cents per share	9.8 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

15 March 2018

(d) Books closure date

The Register of Members and Share Transfer Books of the Company will be closed on 6 March 2018, for the purpose of determining Members' entitlements to interim dividend of HK6.8 cents for the financial year ending 30 June 2018. 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 5 March 2018 by the Company's Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), 80 Robinson Road, #02-00 Singapore 068898 will be registered to determine Members' entitlements to such dividends. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5:00 p.m. on 5 March 2018 will be entitled to such dividend.

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

Not applicable.

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

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

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

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the financial results of the six months ended 31 December 2017 to be false or misleading in any material respect. A statement signed by two directors is on record.

We, Ng Kin Wing and Ng Yuk Wing, being two directors of the Company, do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial results of the six months ended 31 December 2017 to be false or misleading in any material respect.

On behalf of the board of directors

Ng Kin Wing
Executive Chairman/CEO

Ng Yuk Wing
Senior Executive Director

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

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

BY ORDER OF THE BOARD

Ng Kin Wing
Executive Chairman/CEO

12 February 2018