



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 2020

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

1(a) An income statement and statement of comprehensive income, or a statement of 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 2020. These figures have not been audited.

Group Income Statement and Statement of Comprehensive Income for the six months ended 31 December 2020

	Group		
	6 months to 31 Dec 2020 HK\$'000	6 months to 31 Dec 2019 HK\$'000	% increase/ (decrease)
REVENUE	984,639	1,067,176	(7.7)
Cost of sales	(918,455)	(986,145)	(6.9)
Gross profit	66,184	81,031	(18.3)
Other income and gains, net	10,545	3,898	170.5
Selling and distribution costs	(34,219)	(34,182)	0.1
Administrative expenses	(32,909)	(36,536)	(9.9)
Other expenses, net	(1,232)	(6,309)	(80.5)
Finance costs	(524)	(1,525)	(65.6)
Share of profit of an associate	80	605	(86.8)
PROFIT BEFORE TAX	7,925	6,982	13.5
Income tax expense	(1,822)	(1,158)	57.3
PROFIT FOR THE PERIOD	<u>6,103</u>	<u>5,824</u>	4.8
Profit/(loss) for the period attributable to:			
Owners of the Company	6,697	6,042	10.8
Non-controlling interests	(594)	(218)	172.5
	<u>6,103</u>	<u>5,824</u>	

Group Income Statement and Statement of Comprehensive Income for the six months ended 31 December 2020 (continued)

	Group		
	6 months to 31 Dec 2020 HK\$'000	6 months to 31 Dec 2019 HK\$'000	% increase/ (decrease)
PROFIT FOR THE PERIOD	6,103	5,824	4.8
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Exchange differences on translation of foreign operations	<u>13,129</u>	<u>(2,164)</u>	706.7
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>19,232</u></u>	<u><u>3,660</u></u>	425.5
Total comprehensive income/(loss) attributable to:			
Owners of the Company	19,499	3,878	402.8
Non-controlling interests	<u>(267)</u>	<u>(218)</u>	22.5
	<u><u>19,232</u></u>	<u><u>3,660</u></u>	425.5

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

	Group	
	6 months to 31 Dec 2020 HK\$'000	6 months to 31 Dec 2019 HK\$'000
Depreciation of property, plant and equipment	4,968	5,088
Depreciation of right-of-use assets	768	678
Impairment of trade receivables	1,238	5,289
Write-down of inventories to net realisable value and write-off of obsolete inventories	7,907	2,446
Fair value loss/(gain) on derivative financial instruments	45	(68)
Bank interest income	(514)	(179)
Gross rental income	(619)	(1,792)
Government employment support scheme	(8,569)	-
Foreign exchange (gains)/ losses, net	(62)	990
Interest expense on bank and other borrowings	502	1,479
Interest expense on finance lease liabilities	9	11
Interest expense on lease liabilities	13	35
Loss on disposal of items of property, plant and equipment	2	26

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 2020 HK\$'000	30 June 2020 HK\$'000	31 December 2020 HK\$'000	30 June 2020 HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	102,476	102,741	-	-
Investment properties	43,400	42,123	-	-
Goodwill	2,098	2,098	-	-
Investment in subsidiaries	-	-	76,308	76,308
Investment in associates	3,132	3,413	-	-
Deferred tax assets	8,108	7,923	-	-
Right-of-use assets	1,437	1,215	-	-
Prepayments	8,485	8,809	-	-
Total non-current assets	<u>169,136</u>	<u>168,322</u>	<u>76,308</u>	<u>76,308</u>
CURRENT ASSETS				
Inventories	192,571	170,071	-	-
Trade and bills receivables	402,495	339,893	-	-
Prepayments, deposits and other receivables	133,799	128,745	2	47
Amounts due from subsidiaries	-	-	51,385	50,867
Financial assets at fair value through profits or losses	1,171	1,171	-	-
Derivatives financial instruments	100	145	-	-
Cash and cash equivalents	87,133	86,711	462	230
Total current assets	<u>817,269</u>	<u>726,736</u>	<u>51,849</u>	<u>51,144</u>
CURRENT LIABILITIES				
Trade and bills payables	229,724	199,654	-	-
Other payables and accruals	144,124	164,511	2,042	2,091
Amount due to a subsidiary	-	-	2,418	2,283
Tax payable	3,455	8,587	-	-
Interest-bearing bank and other borrowings	159,961	85,276	-	-
Lease liabilities	722	948	-	-
Total current liabilities	<u>537,986</u>	<u>458,976</u>	<u>4,460</u>	<u>4,374</u>
NET CURRENT ASSETS	<u>279,283</u>	<u>267,760</u>	<u>47,389</u>	<u>46,770</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>448,419</u>	<u>436,082</u>	<u>123,697</u>	<u>123,078</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities	2,303	2,236	-	-
Other payables	8,949	6,346	-	-
Other borrowings	215	264	-	-
Lease liabilities	362	-	-	-
Total non-current liabilities	<u>11,829</u>	<u>8,846</u>	<u>-</u>	<u>-</u>
Net assets	<u>436,590</u>	<u>427,236</u>	<u>123,697</u>	<u>123,078</u>

	Group		Company	
	31 December 2020 HK\$'000	30 June 2020 HK\$'000	31 December 2020 HK\$'000	30 June 2020 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>415,864</u>	<u>406,243</u>	<u>102,240</u>	<u>101,621</u>
	437,321	427,700	123,697	123,078
Non-controlling interests	(731)	(464)	-	-
Total equity	<u>436,590</u>	<u>427,236</u>	<u>123,697</u>	<u>123,078</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 2020		As at 30 June 2020	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
96	159,865	93	85,183

Amount repayable after one year

As at 31 December 2020		As at 30 June 2020	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
215	-	264	-

Details of any collaterals

The above unsecured amounts of HK\$159,865,000 and HK\$85,183,000 pertain to bank borrowings as at 31 December 2020 and 30 June 2020 respectively which were supported by cross guarantees given by the Company and certain of its subsidiaries.

The secured amounts of HK\$311,000 and HK\$357,000 relate to finance lease liabilities as at 31 December 2020 and 30 June 2020 respectively which were secured by the underlying office equipment acquired.

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	
	2020 HK\$'000	2019 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	7,925	6,982
Adjustments for:		
Bank interest income	(514)	(179)
Write-down of inventories to net realisable value and write-off of obsolete inventories	7,907	2,446
Depreciation of property, plant and equipment	4,968	5,088
Depreciation of right-of-use assets	768	678
Fair value loss/(gain) on derivative financial instruments	45	(68)
Impairment of trade receivables	1,238	5,289
Loss on disposal of items of property, plant and equipment	2	26
Finance costs	524	1,525
Share of profit of an associate	(80)	(605)
	<u>22,783</u>	<u>21,182</u>
(Increase)/decrease in inventories	(27,074)	871
Increase in trade and bills receivables	(56,752)	(1,655)
Decrease/(increase) in prepayments, deposits and other receivables	(8,015)	28,442
Increase in trade and bills payables	28,036	28,177
Decrease in other payables and accruals	(18,684)	(53,141)
Cash generated (used in)/from operations	(59,706)	23,876
Interest on bank and other borrowings paid	(502)	(1,479)
Interest element on finance lease rental payments	(9)	(11)
Interest element on lease payment	(13)	(35)
Income tax (paid)/refund	(7,434)	1,941
Net cash flows (used in)/from operating activities	(67,664)	24,292

	Group	
	Six months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
Net cash flows (used in)/from operating activities	(67,664)	24,292
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of items of property, plant and equipment	2	26
Purchases of items of property, plant and equipment	(1,030)	(940)
Dividend from an associate	328	-
Interest received	514	179
Net cash flows used in investing activities	(186)	(735)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	507,874	345,216
Repayment of bank and other borrowings	(433,242)	(358,246)
Principal portion of lease payment	(763)	(647)
Capital element of finance lease rental payments	(13)	(44)
Dividends paid to the owners of the Company	(9,878)	(16,750)
Net cash flows from/(used in) financing activities	63,978	(30,471)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,872)	(6,914)
Cash and cash equivalents at beginning of period	86,711	73,227
Effect of foreign exchange rate changes, net	4,294	(1,044)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>87,133</u>	<u>65,269</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	87,133	65,269
Time deposits	-	-
Cash and cash equivalents as stated in the consolidated statement of financial position	<u>87,133</u>	<u>65,269</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	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>
At 1 July 2020	21,476	(19)	45,885	898	57,810	3,341	(890)	(6,453)	305,652	427,700	(464)	427,236
Total comprehensive income for the period	-	-	-	-	-	-	-	12,802	6,697	19,499	(267)	19,232
Final 2020 dividend paid	-	-	-	-	-	-	-	-	(9,878)	(9,878)	-	(9,878)
At 31 December 2020	<u>21,476</u>	<u>(19)</u>	<u>45,885</u>	<u>898</u>	<u>57,810</u>	<u>3,341</u>	<u>(890)</u>	<u>6,349</u>	<u>302,471</u>	<u>437,321</u>	<u>(731)</u>	<u>436,590</u>

Company

	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 July 2019	21,461	(19)	45,885	36,311	19,079	122,732
Total comprehensive income for the period	-	-	-	-	17,380	17,380
Final 2019 dividend paid	-	-	-	-	(16,750)	(16,750)
At 31 December 2019	<u>21,476</u>	<u>(19)</u>	<u>45,885</u>	<u>36,311</u>	<u>19,709</u>	<u>123,362</u>
At 1 July 2020	21,476	(19)	45,885	36,311	19,425	123,078
Total comprehensive income for the period	-	-	-	-	10,497	10,497
Final 2020 dividend paid	-	-	-	-	(9,878)	(9,878)
At 31 December 2020	<u>21,476</u>	<u>(19)</u>	<u>45,885</u>	<u>36,311</u>	<u>20,044</u>	<u>123,697</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 2020, the Company held 12,000 (1 July 2019: 12,000) treasury shares. During the six months ended 31 December 2020, the Company had not purchased any (31 December 2019: Nil) of the Shares pursuant to the 2009 Share Buyback mandate.

As at 31 December 2020, the Company held 12,000 (30 June 2020: 12,000) treasury shares or 0.0056% (30 June 2020: 0.0056%) of the Company's issued shares.

As at 31 December 2020 and 30 June 2020, 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 2020 and 30 June 2020.

During the six months ended 31 December 2020, the Company did not have any shares subdivision nor consolidation.

During the six months ended 31 December 2020, the Company's subsidiaries had not purchased nor held any of the Company's shares (30 June 2020: 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 2020 and 30 June 2020 was 214,748,000.

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

There were no sales, transfers, cancellation nor use of treasury shares during the period under review (for the six months ended 31 December 2019: 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 2019: 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 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 2020 as compared with the audited financial statements of the Group for the year ended 30 June 2020. For details of accounting policies, please refer to Annual Report 2020.

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 Conceptual Framework for Financial Reporting 2018 and the following revised International Financial Reporting Standards (“IFRSs”) for the first time in the financial statements for the financial year ending 30 June 2021.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The adoption of the above revised standards has had no significant financial effect on these financial statements.

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	
	2020	2019
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>3.12</u>	<u>2.81</u>
- On a fully diluted basis (HK cents)	<u>3.12</u>	<u>2.81</u>
Profit attributable to the owners of the Company for earnings per share (HK\$'000)	<u>6,697</u>	<u>6,042</u>

The calculation of basic earnings per share for the six months ended 31 December 2020 and 2019 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 214,748,000 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 214,748,000 (2019: 214,748,000) ordinary shares, which was the weighted average of 214,748,000 (2019: 214,748,000) ordinary shares in issue during the six months ended 31 December 2020.

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	As at	As at	As at
	31 December	30 June	31 December	30 June
	2020	2020	2020	2020
Net asset value per ordinary share (HK cents)	203.3	198.9	57.6	57.3

Net asset value per ordinary share as at 31 December 2020 and 30 June 2020 was calculated based on the issued share capital excluding treasury shares of 214,748,000 ordinary shares as at 31 December 2020 and 30 June 2020.

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 2020 decreased by HK\$82.6 million or 7.7% to HK\$984.6 million from HK\$1,067.2 million for the corresponding period last year.

Revenue from our Components Distribution (“CD”) segment decreased by HK\$46.2 million or 13.4%, from HK\$346.0 million for the six months ended 31 December 2019 to HK\$299.8 million for the six months ended 31 December 2020. The decrease was due to the lower demand for certain electronic components mainly as a result of the global outbreak of COVID-19 pandemic during the period under review.

Revenue from our Information Technology Infrastructure (“IT Infrastructure”) segment increased by HK\$31.0 million or 5.4%, from HK\$570.5 million for the six months ended 31 December 2019 to HK\$601.5 million for the six months ended 31 December 2020. The increase in demand for electronic communication was mostly due to travel or movement restrictions engendered by the global outbreak of the COVID-19 pandemic which in turn led to a stronger demand for 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 decreased by HK\$67.4 million or 44.7%, from HK\$150.7 million for the six months ended 31 December 2019 to HK\$83.3 million for the six months ended 31 December 2020. The decrease was mainly due to the persistent effect of the global COVID-19 pandemic outbreak which has adversely affected the Hong Kong economy and hence reduced in the demand for CEP during the period under review.

Gross profit

Gross profit decreased by HK\$14.8 million or 18.3%, from HK\$81.0 million for the six months ended 31 December 2019 to HK\$66.2 million for the six months ended 31 December 2020. The decrease in gross profit was largely due to (1) lower revenue recorded for the period under review as explained above; (2) intensified competitions in all 3 business segments during the global COVID-19 pandemic outbreak; and (3) increase in write-down of inventories of HK\$5.5 million as a result of delay in delivery of inventories due to the COVID-19 effect.

Other income and gains, net

The net other income and gains increased by approximately HK\$6.6 million or 170.5%, from HK\$3.9 million for the six months ended 31 December 2019 to HK\$10.5 million for the six months ended 31 December 2020. The increase was mainly due to HK\$8.6 million subsidies received from the Government of the Hong Kong Special Administrative Region as part of the “Employment Support Scheme” under the “Anti-epidemic Fund”; and partially offset by a decrease in rental income of HK\$1.1 million. Decrease in rental income was due to (1) the deployment of a previously let premises in HK for the Group’s own use in early 2020; and (2) the disposal of 3 leased out office units in Shanghai in late 2019. For details of the disposals, please refer to the Company’s announcements dated 19 and 27 November 2019 respectively.

Selling and distribution costs

Selling and distribution costs were maintained at similar level at HK\$34.2 million for the six months ended 31 December 2019 compared to HK\$34.2 million for the six months ended 31 December 2020.

Administrative expenses

Administrative expenses decreased by approximately HK\$3.6 million or 9.9%, from HK\$36.5 million for the six months ended 31 December 2019 to HK\$32.9 million for the six months ended 31 December 2020. The decrease was mainly due to the decrease in travelling and entertainment expenses as a result of travel restrictions during the COVID-19 pandemic. Depreciation of property, plant and equipment and depreciation of right-of-use assets for the six months ended 31 December 2020 were very much the same as those for the six months ended 31 December 2019.

Other expenses, net

Net other expenses decreased by approximately HK\$5.1 million or 80.5%, from HK\$6.3 million for the six months ended 31 December 2019 to HK\$1.2 million for the six months ended 31 December 2020. The decrease was mainly due to (1) a decrease in allowance for impairment loss on trade receivables of HK\$4.1 million; and (2) a decrease in exchange loss of HK\$1.0 million during the period under review.

Finance costs

Finance costs decreased by approximately HK\$1.0 million or 65.6%, from HK\$1.5 million for the six months ended 31 December 2019 to HK\$0.5 million for the six months ended 31 December 2020. The decrease was mainly due to bank borrowings interest rate decreased by almost 200 basis points from the last period to the current period.

Income tax expense

The effective income tax expense rate for the period under review was 23.0% (31 December 2019: 16.6%).

Net Profit

Net profit attributable to owners of the Company increased by HK\$0.7 million or 10.8%, from HK\$6.0 million for the six months ended 31 December 2019 to HK\$6.7 million for the six months ended 31 December 2020. The increase was mainly attributable to (1) an increase in other income and gains of HK\$6.6 million; (2) cost savings in administrative expenses of HK\$3.6 million; and (3) decrease in other expenses of HK\$5.1 million, as reduced by the decrease in gross profit of HK\$14.8 million, as explained above.

Non-controlling interests

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

Statement of Financial Position

Non-current assets

As at 31 December 2020, non-current assets comprised goodwill of HK\$2.1 million; investment properties, office equipment, leasehold land and buildings and motor vehicles totaling HK\$145.9 million; right-of-use assets HK\$1.4 million; investment in an associate of HK\$3.1 million; prepayment of HK\$8.5 million and deferred tax assets of HK\$8.1 million. Total non-current assets amounted to HK\$169.1 million, representing approximately 17.1% of the total assets. There was an increase in non-current assets amounted to approximately HK\$0.8 million.

Current assets

As at 31 December 2020, current assets amounted to approximately HK\$817.3 million, an increase of HK\$90.6 million compared to the immediately preceding financial year end as at 30 June 2020. The increase was mainly due to (1) increase in trade and bill receivables by HK\$62.6 million as a result of higher billings towards end of the period under review; (2) increase in inventories by HK\$22.5 million in anticipating an increase in demand in January 2021 which was subsequently realised; (3) increase in prepayments, deposits and other receivables by HK\$5.1 million; and (4) increase in cash and cash equivalent by HK\$0.4 million.

Current liabilities

As at 31 December 2020, current liabilities amounted to approximately HK\$538.0 million, an increase of HK\$79.0 million compared to the immediately preceding financial year end as at 30 June 2020. The increase was mainly due to (1) increase in interest-bearing bank and other borrowings by HK\$74.7 million for stocking up inventories as explained above; (2) increase in trade and bills payables by HK\$30.0 million and offset by (3) decrease in other payables and accruals by HK\$20.4 million as a result of the reversal of contract liabilities and recognition of the same as revenue during the period under review; (4) decrease in tax payable by HK\$5.1 million; and (5) decrease in lease liabilities by HK\$0.2 million.

Non-current liabilities

Non-current liabilities amounted to HK\$11.8 million, representing 2.1% of our total liabilities as at 31 December 2020. The amount mainly pertains to other payables of HK\$8.9 million arising from warranty service income received in advance which was classified as contract liabilities.

Liquidity and cash flow

As at 31 December 2020, cash and cash equivalents amounted to approximately HK\$87.1 million. Total interest-bearing bank and other borrowings as at 31 December 2020 were HK\$160.2 million. The gearing ratio, which is defined as total interest-bearing bank and other borrowings to shareholders' funds, is 0.37 times (30 June 2020: 0.20 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 outbreak of the Novel Coronavirus (COVID-19) remains a significant issue across the region and other parts of the world and this will continue to adversely impact on all three of our business segments.

While last year's disruptions in the supply chain in the PRC has largely been contained, we have observed a gradual increase in competition in the electronic components distribution. We are closely monitoring the market and continue to design new modules to target smart devices, commercial and household appliances to maintain and grow our business in the Components Distribution segment.

In the IT Infrastructure segment, business activities in the market remained strong and we have observed normalization in implementation schedules. The market in the IT Distribution business remained competitive and we are adding multiple new product lines and product mix in our portfolio to grow our sales in this segment.

In CEP segment, we have witnessed a drop in shop front sales across the product lines. We expect our sales in this segment will continue to be impacted, but a strong growth in online sales and additional product line to this segment is helping to lessen the impact on overall sales in the second half of this financial year.

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 HK2.8 cents per share amounting to a total of HK\$6,012,944 have been proposed and declared by the Directors.

Name of dividend	Interim
Dividend type	Cash
Dividend amount per share (in HK cents)	2.8 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)	3.9 cents per share	4.6 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

18 March 2021

(d) Record date

The Register of Members and Share Transfer Books of Karin Technology Holdings Limited (the “**Company**”) will be closed on 4 March 2021, for the preparation of dividend warrants to the proposed interim dividend of HK2.8 cents for the financial year ending 30 June 2021 (“**Interim Dividend**”).

Duly completed registrable transfers in respect of the shares in the Company received up to 5:00 p.m. on 3 March 2021 (“**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 Record Date will be entitled to the Interim Dividend.

- 12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.**

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 Confirmation pursuant to Rule 705(5). (Not required for announcement on full year results)**

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 2020 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 2020 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).**

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

9 February 2021