



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)

Full Year Financial Statements And Dividend Announcement
for the Year Ended 30 June 2008

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

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group Income Statement for the year ended 30 June 2008. These figures have not been audited.

	2008 HK\$'000	2007 HK\$'000	Increase/ (Decrease) %
REVENUE	1,893,938	1,444,106	31.1
Cost of sales	(1,711,598)	(1,303,417)	31.3
Gross profit	182,340	140,689	29.6
Other income and gains	8,835	8,010	10.3
Selling and distribution costs	(52,894)	(41,048)	28.9
Administrative expenses	(56,817)	(45,784)	24.1
Other expenses, net	(4,726)	(8,710)	(45.7)
Finance costs	(2,917)	(2,639)	10.5
Share of losses of associates	(67)	(167)	(59.9)
PROFIT BEFORE TAX	73,754	50,351	46.5
Tax	(11,583)	(10,124)	14.4
PROFIT FOR THE YEAR	<u>62,171</u>	<u>40,227</u>	54.6
Attributable to:			
Equity holders of the parent	61,334	41,117	49.2
Minority interests	<u>837</u>	(890)	194.0
	<u>62,171</u>	<u>40,227</u>	54.6

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

	Group	
	2008	2007
	HK\$'000	HK\$'000
Auditors' remuneration	1,200	900
Cost of inventories sold	1,682,843	1,279,324
Depreciation	6,482	4,532
Loss/(gain) on disposal of items of property, plant and equipment	40	(37)
Directors' remuneration:		
Fees	613	502
Other emoluments	6,976	6,036
Employee share option benefits	684	300
	<u>8,273</u>	<u>6,838</u>
Fair value gains on investment properties	(1,150)	(1,400)
Operating lease rentals in respect of land and buildings	4,701	2,917
Impairment of trade receivables	4,625	2,144
Impairment/(reversal of impairment) of other receivables	(718)	1,148
Impairment/(reversal of impairment) of loan to an associate	(2,692)	2,692
Impairment/(reversal of impairment) of amount due from an associate	(2,013)	2,013
Impairment of goodwill	2,748	-
Provision and write off of obsolete inventories	2,454	1,366
Fair value losses/(gains) on derivative financial instruments, net	(1,930)	5
Employees benefits expense (excluding directors' remuneration):		
Wages and salaries	66,703	53,666
Equity-settled share option expense	1,006	408
Pension scheme contributions	3,779	2,238
	<u>71,488</u>	<u>56,312</u>
Direct operating expense (including repairs and maintenance) arising on rental-earning investment properties	259	338
Interest income	(552)	(319)
Gross rental income	(323)	(492)
Management fee income	(1,600)	(1,301)
Foreign exchange differences, net	1,046	(1,861)
Excess over the cost of business combinations	(871)	-

The Group's tax charge is as follows:

	Group	
	2008	2007
	HK\$'000	HK\$'000
Current - Hong Kong		
Charge for the year	7,981	6,337
Underprovision/(overprovision) in prior years	(68)	321
Current - Mainland China	4,279	2,347
Current - Elsewhere	189	-
Deferred	(798)	1,119
Total tax charge for the year	<u>11,583</u>	<u>10,124</u>

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

	<u>Group</u>		<u>Company</u>	
	30 Jun 08	30 Jun 07	30 Jun 08	30 Jun 07
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	49,669	41,449	-	-
Investment properties	5,000	6,200	-	-
Goodwill	2,356	2,356	-	-
Investments in subsidiaries	-	-	74,926	73,931
Interests in associates	-	67	-	-
Deferred tax assets	1,137	515	-	-
Total non-current assets	<u>58,162</u>	<u>50,587</u>	<u>74,926</u>	<u>73,931</u>
CURRENT ASSETS				
Inventories	128,256	127,719	-	-
Trade and bills receivables	443,890	248,523	-	-
Factored trade receivables	6,650	-	-	-
Prepayments, deposits and other receivables	12,740	5,801	52	54
Amounts due from subsidiaries	-	-	36,532	34,273
Tax recoverable	-	209	-	-
Financial assets at fair value through profit or loss	-	14,070	-	-
Cash and cash equivalents	52,603	32,885	385	175
Total current assets	<u>644,139</u>	<u>429,207</u>	<u>36,969</u>	<u>34,502</u>
CURRENT LIABILITIES				
Trade and bills payables	228,075	193,694	-	-
Other payables and accruals	50,264	20,976	3,833	2,403
Tax payable	13,175	9,136	-	-
Forward currency contracts	375	2,305	-	-
Bank advances on factored trade receivables	6,650	-	-	-
Interest-bearing bank and other borrowings	160,371	65,068	-	-
Total current liabilities	<u>458,910</u>	<u>291,179</u>	<u>3,833</u>	<u>2,403</u>
NET CURRENT ASSETS	185,229	138,028	33,136	32,099
TOTAL ASSETS LESS CURRENT LIABILITIES	243,391	188,615	108,062	106,030
NON-CURRENT LIABILITIES				
Finance lease payables	553	179	-	-
Deferred tax liabilities	4,540	3,611	-	-
Total non-current liabilities	<u>5,093</u>	<u>3,790</u>	<u>-</u>	<u>-</u>
Net assets	<u><u>238,298</u></u>	<u><u>184,825</u></u>	<u><u>108,062</u></u>	<u><u>106,030</u></u>

	<u>Group</u>		<u>Company</u>	
	30 Jun 08 HK\$'000	30 Jun 07 HK\$'000	30 Jun 08 HK\$'000	30 Jun 07 HK\$'000
EQUITY				
Equity attributable to equity holders of the parent				
Issued capital	20,200	20,200	20,200	20,200
Reserves	200,053	154,929	71,500	76,134
Proposed final dividend	16,362	9,696	16,362	9,696
	<u>236,615</u>	<u>184,825</u>	<u>108,062</u>	<u>106,030</u>
Minority interests	<u>1,683</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity	<u>238,298</u>	<u>184,825</u>	<u>108,062</u>	<u>106,030</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 30 June 2008		As at 30 June 2007	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
305	160,066	157	64,911

Amount repayable after one year

As at 30 June 2008		As at 30 June 2007	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
553	-	179	-

Details of any collaterals

The above unsecured bank borrowings of HK\$160,066,000 and HK\$64,911,000 included bank borrowings of HK\$153,241,000 and HK\$64,911,000 which were covered by cross guarantees given by the Company and certain of its subsidiaries as at 30 June 2008 and 30 June 2007 respectively.

The above unsecured bank borrowings of HK\$6,825,000 (30 June 2007: Nil) were guaranteed by the Company and a subsidiary as at 30 June 2008.

The finance lease obligations of HK\$858,000 (of which HK\$305,000 was repayable in one year and HK\$553,000 was repayable after one year) and HK\$336,000 were secured by the underlying assets acquired as at 30 June 2008 and 30 June 2007 respectively.

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

Group

Year ended 30 June 2008

	2008 HK\$'000	2007 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	73,754	50,351
Adjustments for:		
Finance costs	2,917	2,639
Share of losses of associates	67	167
Loss/(gain) on disposal of items of property, plant and equipment	40	(37)
Interest income	(552)	(319)
Fair value gains on investment properties	(1,150)	(1,400)
Fair value losses/(gains) on derivative financial instruments, net	(1,930)	5
Depreciation	6,482	4,532
Equity-settled share option expense	1,690	708
Provision and write off of obsolete inventories	2,454	1,366
Impairment of trade receivables	4,625	2,144
Impairment/(reversal of impairment) of other receivables	(718)	1,148
Impairment of amount due from an associate	-	2,013
Impairment/(reversal of impairment) of loan to an associate	(2,692)	2,692
Impairment of goodwill	2,748	-
Excess over the cost of business combination	(871)	-
	<u>86,864</u>	<u>66,009</u>
Decrease/(increase) in inventories	9,090	(62,570)
Increase in trade and bills receivables	(196,538)	(68,271)
Increase in factored trade receivables	(6,650)	-
Decrease/(increase) in prepayments, deposits and other receivables	286	(5,189)
Increase in amount due from an associate	-	(2,013)
Increase in trade and bills payables	31,086	61,115
Increase in other payables and accruals	12,855	12,768
Increase in bank advances on factored trade receivables	<u>6,650</u>	<u>-</u>
Cash generated from/(used in) operations	(56,357)	1,849
Interest paid	(2,880)	(2,618)
Interest element on finance lease rental payments	(37)	(21)
Dividends paid	(19,998)	(16,160)
Hong Kong profits tax paid	(4,929)	(3,911)
Mainland China and overseas corporate income tax paid	<u>(3,307)</u>	<u>(2,510)</u>
Net cash outflow from operating activities	<u>(87,508)</u>	<u>(23,371)</u>

Group
Year ended 30 June 2008

	2008 HK\$'000	2007 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(3,629)	(10,609)
Interest received	552	319
Proceeds from disposal of items of property, plant and equipment	41	281
Additional investment in an associate	-	(628)
Deconsolidation of subsidiaries	-	(1,973)
Advance of loan to an associate	-	(1,122)
Acquisition of subsidiaries	3,757	-
Acquisition of minority interests	(3)	-
Acquisition of financial assets at fair value through profit or loss	-	(14,070)
Proceeds from derecognition of financial assets at fair value through profit or loss	<u>14,070</u>	<u>-</u>
Net cash inflow/(outflow) from investing activities	<u>14,788</u>	<u>(27,802)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	196,446	176,996
Repayment of bank loans	(130,578)	(166,896)
Increase in trust receipt and import loans	28,178	20,843
Capital element of finance lease rental payments	(216)	(149)
Capital contribution by minority shareholders	<u>-</u>	<u>3</u>
Net cash inflow from financing activities	<u>93,830</u>	<u>30,797</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	21,110	(20,376)
Cash and cash equivalents at beginning of year	26,958	47,102
Effect of foreign exchange rate changes, net	<u>3,188</u>	<u>232</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>51,256</u></u>	<u><u>26,958</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	30,279	11,179
Non-pledged time deposits with original maturity of less than three months when acquired	22,324	21,706
Bank overdrafts	<u>(1,347)</u>	<u>(5,927)</u>
	<u><u>51,256</u></u>	<u><u>26,958</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 ordinary equity holders of the parent											
	Issued share capital HK\$'000	Exchange fluctuation reserve HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Land and building revaluation reserve HK\$'000	General reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 July 2006	20,200	169	31,637	898	-	4,539	-	85,867	7,474	150,784	137	150,921
Exchange realignment	-	925	-	-	-	-	-	-	-	925	-	925
Fair value revaluation of land and building, net of deferred tax	-	-	-	-	-	7,451	-	-	-	7,451	-	7,451
Total income for the year recognised directly in equity	-	925	-	-	-	7,451	-	-	-	8,376	-	8,376
Profit for the year	-	-	-	-	-	-	-	41,117	-	41,117	(890)	40,227
Total income and expense for the year	-	925	-	-	-	7,451	-	41,117	-	49,493	(890)	48,603
Capital contribution	-	-	-	-	-	-	-	-	-	-	750	750
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	3	3
Equity-settled share option arrangements	-	-	-	-	708	-	-	-	-	708	-	708
Final 2006 dividend paid	-	-	-	-	-	-	-	(7,474)	(7,474)	-	(7,474)	(7,474)
Interim 2007 dividend paid	-	-	-	-	-	-	(7,676)	(7,676)	(7,676)	-	(7,676)	(7,676)
Special 2007 dividend paid	-	-	-	-	-	-	(1,010)	(1,010)	(1,010)	-	(1,010)	(1,010)
Proposed final 2007 dividend	-	-	-	-	-	-	(9,696)	9,696	-	-	-	-
At 30 June 2007 and at 1 July 2007	20,200	1,094	31,637	898	708	11,990	-	108,602	9,696	184,825	-	184,825
Exchange realignment	-	3,402	-	-	-	-	-	-	-	3,402	-	3,402
Fair value revaluation of land and building, net of deferred tax	-	-	-	-	-	5,362	-	-	-	5,362	-	5,362
Total income for the year recognised directly in equity	-	3,402	-	-	-	5,362	-	-	-	8,764	-	8,764
Profit for the year	-	-	-	-	-	-	-	61,334	-	61,334	837	62,171
Total income and expense for the year	-	3,402	-	-	-	5,362	-	61,334	-	70,098	837	70,935
Transfer to general reserve	-	-	-	-	-	-	2,715	(2,715)	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	846	846
Equity-settled share option arrangements	-	-	-	-	1,690	-	-	-	-	1,690	-	1,690
Final 2007 dividend paid	-	-	-	-	-	-	-	(9,696)	(9,696)	-	(9,696)	(9,696)
Interim 2008 dividend paid	-	-	-	-	-	-	(10,302)	(10,302)	(10,302)	-	(10,302)	(10,302)
Proposed final 2008 dividend	-	-	-	-	-	-	(16,362)	16,362	-	-	-	-
At 30 June 2008	<u>20,200</u>	<u>4,496</u>	<u>31,637</u>	<u>898</u>	<u>2,398</u>	<u>17,352</u>	<u>2,715</u>	<u>140,557</u>	<u>16,362</u>	<u>236,615</u>	<u>1,683</u>	<u>238,298</u>

Company

	Issued share capital HK\$'000	Contributed surplus HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total equity HK\$'000
At 1 July 2006	20,200	36,311	31,637	-	13,859	7,474	109,481
Profit for the year	-	-	-	-	12,001	-	12,001
Equity-settled share option arrangements	-	-	-	708	-	-	708
Final 2006 dividend paid	-	-	-	-	-	(7,474)	(7,474)
Interim 2007 dividend paid	-	-	-	-	(7,676)	-	(7,676)
Special 2007 dividend paid	-	-	-	-	(1,010)	-	(1,010)
Proposed final 2007 dividend	-	-	-	-	(9,696)	9,696	-
At 30 June 2007 and at 1 July 2007	20,200	36,311	31,637	708	7,478	9,696	106,030
Profit for the year	-	-	-	-	20,340	-	20,340
Equity-settled share option arrangements	-	-	-	1,690	-	-	1,690
Final 2007 dividend paid	-	-	-	-	-	(9,696)	(9,696)
Interim 2008 dividend paid	-	-	-	-	(10,302)	-	(10,302)
Proposed final 2008 dividend	-	-	-	-	(16,362)	16,362	-
At 30 June 2008	<u>20,200</u>	<u>36,311</u>	<u>31,637</u>	<u>2,398</u>	<u>1,154</u>	<u>16,362</u>	<u>108,062</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 also the number of shares that may be issued on conversion of all the outstanding convertibles 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.

There is no change in the Company's share capital during the reporting period since the end of the previous reported period.

The share options outstanding at 30 June 2008 was 10,460,000 (30 June 2007: 10,460,000).

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.

The Company does not have any treasury share. Total number of issued shares as at 30 June 2008 was 202,000,000 (30 June 2007: 202,000,000)

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

The figures have not been audited or 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 disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the year ended 30 June 2008 as compared with the audited financial statements of the Group for the year ended 30 June 2007.

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 following new and revised International Financial Reporting Standards ("IFRSs") and International Accounting Standards ("IASs") affect the Group and are adopted for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment Capital Disclosures
- IFRIC-Int 8 Scope of IFRS 2
- IFRIC-Int 9 Reassessment of Embedded Derivatives
- IFRIC-Int 10 Interim Financial Reporting and Impairment
- IFRIC-Int 11 IFRS 2 – Group and Treasury Share Transactions

The principal changes in accounting policies are as follows:

(a) *IFRS 7 Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) *Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(c) IFRIC-Int 8 *Scope of IFRS 2*

This interpretation requires IFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued share options to the Group's employees for identified services provided in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

(d) IFRIC-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) IFRIC-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 July 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

(f) IFRIC-Int 11 *IFRS 2 – Group and Treasury Share Transactions*

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. IFRIC-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group's current policy for share-based payment transactions aligns with the requirements of the interpretation, the interpretation has had no 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

	30 June 2008	30 June 2007
Earnings per ordinary share of the group, after deducting any provision for preference dividends (in cents):		
- Based on weighted average number of ordinary shares on issue (HK cents)	<u>30.4</u>	<u>20.4</u>
- On a fully diluted basis (HK cents)	<u>29.7</u>	<u>20.0</u>
Profit attributable to the equity holders of the parent for earnings per share (HK\$'000)	<u>61,334</u>	<u>41,117</u>

The calculation of basic earnings per share amounts for the years ended 30 June 2008 and 2007 is based on the Group's profit attributable to the ordinary equity holders of the parent for the respective years and the weighted average of 202,000,000 shares.

The calculation of diluted earnings per share amounts for the years ended 30 June 2008 and 2007 is based on the Group's profit attributable to ordinary equity holders of the parent for the respective years and the respective weighted average of 206,264,880 (2007: 206,095,368) ordinary shares, which was the weighted average of 202,000,000 (2007: 202,000,000) ordinary shares in issue during the year, and the weighted average of 4,264,880 (2007: 4,095,368) ordinary shares deemed to have been issued at no consideration on the deemed exercise of all the outstanding share options during the year.

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

Group

	30 June 2008	30 June 2007
Net asset value per ordinary share (HK cents)	<u>118.0</u>	<u>91.5</u>

Company

	30 June 2008	30 June 2007
Net asset value per ordinary share (HK cents)	<u>53.5</u>	<u>52.5</u>

Net asset value per ordinary share as at 30 June 2008 and 30 June 2007 was calculated based on the issued share capital of 202,000,000 shares.

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

The Group recorded its best ever revenue for the year ended 30 June 2008. Revenue grew 31.1% to HK\$1,893.9 million from HK\$1,444.1 million for last year. Such encouraging results can be attributed to high domestic consumption growth in the PRC and rapid growth of customers' requirements in the IT solution and services segment within the Financial Services Industry ("FSI").

Revenue from our Components Distribution segment has increased by HK\$132.9 million or 27.7%, from HK\$479.2 million for the year ended 30 June 2007 to HK\$612.1 million for the year ended 30 June 2008. The increase was due to high domestic demand for electronic components in mobile phones and computers. Significant demand in industrial materials and instrumentation for telecommunication and lighting industries in PRC also contributed to the increase.

Revenue from our IC Application Design segment has increased by HK\$30.5 million or 11.8%, from HK\$259.3 million for the year ended 30 June 2007 to HK\$289.8 million for the year ended 30 June 2008. Such double digits growth can be attributed to high demand for Integrated Circuits embedded with application design solutions for musical instruments, wireless applications and toys.

Revenue from our IT infrastructure segment grew by HK\$286.4 million or 40.6%, from HK\$705.6 million for the year ended 30 June 2007 to HK\$992.0 million for the year ended 30 June 2008. The growth can be attributed to our strong sales and technical teams who were able to capture the high demand for IT solution and services in the FSI during the year under review.

Gross profit

Gross profit increased by HK\$41.6 million or 29.6%, from HK\$140.7 million for the year ended 30 June 2007 to HK\$182.3 million for the year ended 30 June 2008. There was no material difference in gross profit margin from last year. The Group records a marginal decrease in gross profit margin of 0.1% from 9.7% for the year ended 30 June 2007 to 9.6% for the year ended 30 June 2008.

Other income and gains

Other income and gains increased marginally by HK\$0.8 million or 10.0%, from HK\$8.0 million for the year ended 30 June 2007 to HK\$8.8 million for the year ended 30 June 2008. The increase was mainly due to the excess over the cost of business combination in relation to the investment in a subsidiary in Singapore during the year.

Selling and distribution costs

Selling and distribution costs increased by HK\$11.9 million or 29.0%, from HK\$41.0 million for the year ended 30 June 2007 to HK\$52.9 million for the year ended 30 June 2008. The increase was mainly attributable to the increase in head count of the sales and technical services teams to support growth of the businesses plus provision for bonus and commission to recognise and to retain experienced and capable staff.

Administrative expenses

Administrative expenses increased by approximately HK\$11.0 million or 24.0%, from HK\$45.8 million for the year ended 30 June 2007 to HK\$56.8 million for the year ended 30 June 2008. The increase was mainly due to overall salary adjustments and provision for bonus in order to recognise staff contributions and to maintain staff as well as spending extra costs to expand our business supporting team in order to cope with our continuing business growth.

Other expenses, net

Other expenses, net decreased by HK\$4.0 million or 46.0%, from HK\$8.7 million for the year ended 30 June 2007 to HK\$4.7 million for the year ended 30 June 2008. The decrease was mainly due to (i) reversal of impairment of loan to our then associate of HK\$2.7 million upon capitalising the loan into equity; (ii) reversal of impairment of amount due from that then associate of HK\$2.0 million at the same time; and (iii) offset by increase in impairment of trade receivables from last year of HK\$2.5 million for aged debts. Amongst the other expenses, there included impairment of goodwill of HK\$2.7 million. The goodwill was generated upon additional investment in the then associate and impaired immediately due to continuing losses experienced by that then associate.

Finance costs

Finance costs increased by HK\$0.3 million or 11.5%, from HK\$2.6 million for the year ended 30 June 2007 to HK\$2.9 million for the year ended 30 June 2008. The increase was attributable to the increase in borrowings to support the 31.1% growth in revenue during the year under review.

Net Profit

Net profit attributable to equity holders of the parent increased by HK\$20.2 million or 49.1%, from HK\$41.1 million for the year ended 30 June 2007 to HK\$61.3 million for the year ended 30 June 2008. The increase is in line with our 31.1% increase in revenue and gross profit.

Minority interests

Minority interests represent the minority shareholder's share of profit in our subsidiaries.

Balance Sheet

Non-current assets

Non-current assets comprised goodwill amounted to HK\$2.4 million, investment properties, office equipment, leasehold land and buildings and motor vehicles amounted to HK\$54.7 million in total and deferred tax assets amounted to HK\$1.1 million. Deferred tax assets are recognised as a result of temporary differences between carrying amounts and tax bases on trade receivables and inventories and losses available for offset against future taxable profit. As at 30 June 2008, non-current assets amounted to HK\$58.2 million, representing approximately 8.3% of our total assets.

Current assets

As at 30 June 2008, current assets amounted to HK\$644.1 million, an increase of HK\$214.9 million compared to the immediately preceding financial year end as at 30 June 2007. The increase was mainly due to the increase in trade and bills receivables by HK\$195.4 million which reflected the 31.1% increase in revenue for the year under review. The increase in current assets was offset by decrease in financial assets at fair value through profit or loss of HK\$14.1 million during the year. As at 30 June 2007, financial assets at fair value through profit or loss was an United States Dollars ("USD") currency linked fixed deposit which matured on 12 July 2007. There was no USD currency linked deposit as at 30 June 2008. Prepayments, deposits and other receivables amounted to HK\$12.7 million, representing 2.0% of our current assets, which comprised mainly advance deposits paid to suppliers for purchasing of stocks and prepayments to a vendor for warranty services.

Current liabilities

As at 30 June 2008, current liabilities amounted to HK\$458.9 million, an increase of HK\$167.7 million compared to the financial year end as at 30 June 2007. The increase was mainly due to the increase in trade and bills payables by HK\$34.4 million which was in turn due to the increase in purchasing activities towards the end of the financial year. The increase in current liabilities was also attributed to an increase in level of the interest bearing bank and other borrowings of HK\$160.4 million in order to support the 31.1% increase in revenue for the year under review.

Non-current liabilities

Non-current liabilities amounted to HK\$5.1 million, representing 1.1% of our total liabilities as at 30 June 2008. It mainly comprised finance lease payables amounted to HK\$0.6 million to finance purchase of office equipment and deferred tax liabilities amounted to HK\$4.5 million. Deferred tax liabilities are recognised as a result of temporary difference between the carrying amount and tax base of property, plant and equipment and investment properties.

Liquidity and cash flow

As at 30 June 2008, cash and cash equivalents amounted to HK\$52.6 million. Total short-term interest bearing loans and borrowings as at 30 June 2008 were HK\$160.4 million and the gearing ratio which is defined as total borrowings to shareholders' funds excluding minority interests, is 0.68 (30 June 2007: 0.35). The increase in gearing ratio was to support the Group's over 30% revenue growth.

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 that the current sub-prime and credit problems in the United States ("US") may not be resolved in the near future, some jurisdictions outside the US may be affected to a certain extent which could cast a negative effect on the Group's future performance. In order to mitigate the negative effect, the Group has been expanding its products and services by extending into new industry applications and by enlarging the customer base. The Group will also innovate its products, services and solution to increase customers' satisfaction. The Group is cautiously optimistic in improving its overall performance in the next twelve months.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

Yes. At the Annual General Meeting (“AGM”) to be held, a final tax-exempt dividend of HK8.1 cents per share amounting to a total of HK\$16,362,000 will be recommended at the forthcoming AGM.

Name of dividend	Interim (paid)	Final tax-exempt
Dividend type	Cash	Cash
Dividend amount per share (in HK cents)	5.1 cents per share	8.1 cents per share
Par value of share (in HK cent)	10 cents per share	10 cents per share
Tax rate	Not applicable	Not applicable

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of dividend	Interim & special	Final tax-exempt
Dividend type	Cash	Cash
Dividend amount per share (in HK cents)	4.3 cents per share	4.8 cents per share
Par value of share (in HK cent)	10 cents per share	10 cents per share
Tax rate	Not applicable	Not applicable

(c) Date payable

To be announced at a later date.

(d) Books closure date

To be announced at a later date.

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

Not applicable.

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR
ANNOUNCEMENT**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

SEGMENT INFORMATION

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 30 June 2008 and 2007.

	Components distribution HK\$'000	IC application design HK\$'000	IT infrastructure HK\$'000	Total HK\$'000
For the year ended 30 June 2008				
Segment revenue:				
Sales to external customers	612,125	289,802	992,011	1,893,938
Other revenue	<u>4,373</u>	<u>920</u>	<u>2,990</u>	<u>8,283</u>
Total	<u>616,498</u>	<u>290,722</u>	<u>995,001</u>	<u>1,902,221</u>
Segment results	<u>27,946</u>	<u>21,282</u>	<u>26,958</u>	76,186
Interest income				552
Finance costs				(2,917)
Share of losses of associates	-	-	(67)	(67)
Profit before tax				73,754
Tax				(11,583)
Profit for the year				<u>62,171</u>
As at 30 June 2008				
Assets and liabilities				
Segment assets	157,853	64,798	399,476	622,127
Unallocated assets				<u>80,174</u>
Total assets				<u>702,301</u>
Segment liabilities	61,296	43,280	192,520	297,096
Unallocated liabilities				<u>166,907</u>
Total liabilities				<u>464,003</u>
Other segment information:				
Other non-cash expenses/(income)	503	(430)	3,460	3,533
Capital expenditure				4,202
Fair value gains on investment properties				(1,150)
Depreciation				<u>6,482</u>

	Components distribution HK\$'000	IC application design HK\$'000	IT infrastructure HK\$'000	Total HK\$'000
For the year ended 30 June 2007				
Segment revenue:				
Sales to external customers	479,207	259,265	705,634	1,444,106
Other revenue	<u>5,624</u>	<u>310</u>	<u>1,757</u>	<u>7,691</u>
Total	<u>484,831</u>	<u>259,575</u>	<u>707,391</u>	<u>1,451,797</u>
Segment results	<u>20,964</u>	<u>19,012</u>	<u>12,862</u>	52,838
Interest income				319
Finance costs				(2,639)
Share of losses of associates	-	-	(167)	(167)
Profit before tax				50,351
Tax				(10,124)
Profit for the year				<u>40,227</u>
As at 30 June 2007				
Assets and liabilities				
Segment assets	131,110	61,426	196,038	388,574
Interests in associates	-	-	67	67
Unallocated assets				<u>91,153</u>
Total assets				<u>479,794</u>
Segment liabilities	48,162	59,014	117,723	224,899
Unallocated liabilities				<u>70,070</u>
Total liabilities				<u>294,969</u>
Other segment information:				
Other non-cash expenses/(income)	1,907	(13)	7,469	9,363
Capital expenditure				10,609
Fair value gains on investment properties				(1,400)
Depreciation				<u>4,532</u>

Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 30 June 2008 and 2007.

	Hong Kong HK\$'000	Mainland China HK\$'000	Others HK\$'000	Total HK\$'000
For the year ended 30 June 2008				
Segment revenue:				
Sales to external customers	1,359,717	383,972	150,249	1,893,938
Other revenue	<u>6,259</u>	<u>1,904</u>	<u>120</u>	<u>8,283</u>
Total	<u>1,365,976</u>	<u>385,876</u>	<u>150,369</u>	<u>1,902,221</u>
Other segment information:				
Segment assets	618,232	64,786	19,283	702,301
Capital expenditure	<u>1,165</u>	<u>2,098</u>	<u>939</u>	<u>4,202</u>
For the year ended 30 June 2007				
Segment revenue:				
Sales to external customers	1,059,715	300,752	83,639	1,444,106
Other revenue	<u>4,767</u>	<u>2,924</u>	<u>-</u>	<u>7,691</u>
Total	<u>1,064,482</u>	<u>303,676</u>	<u>83,639</u>	<u>1,451,797</u>
Other segment information:				
Segment assets	448,106	31,688	-	479,794
Capital expenditure	<u>9,132</u>	<u>1,477</u>	<u>-</u>	<u>10,609</u>

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to note 8.

15. A breakdown of sales as follows:-

	2008 HK\$'000 Group	2007 HK\$'000 Group	% increase/ (decrease) HK\$'000 Group
(a) Sales reported for the first half year	908,444	702,850	29.3%
(b) Operating profit after tax before deducting minority interests reported for the first half year	36,882	21,008	75.6%
(c) Sales reported for the second half year	985,494	741,256	32.9%
(d) Operating profit after tax before deducting minority interests reported for the second half year	25,289	19,219	31.6%

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-

	2008 HK\$'000	2007 HK\$'000
Declared and paid during the year	10,302	8,686
Proposed final dividend	<u>16,362</u>	<u>9,696</u>
Total	<u>26,664</u>	<u>18,382</u>

17. Interested Person Transactions.

Not applicable.

BY ORDER OF THE BOARD

Ng Yuk Wing
Executive Chairman

28 August 2008