



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 2013

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

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

Group Income Statement for the six months ended 31 December 2013. These figures have not been audited.

	Group		% increase/ (decrease)
	6 months to 31 Dec 2013 HK\$'000	6 months to 31 Dec 2012 HK\$'000	
REVENUE	1,642,703	2,123,296	(22.6)
Cost of sales	<u>(1,534,276)</u>	<u>(2,008,625)</u>	(23.6)
Gross profit	108,427	114,671	(5.4)
Other income and gains, net	4,979	11,514	(56.8)
Selling and distribution costs	(38,177)	(35,445)	7.7
Administrative expenses	(43,592)	(41,548)	4.9
Other expenses, net	(1,206)	(383)	214.9
Finance costs	(767)	(687)	11.6
Share of profit/(loss) of an associate	<u>30</u>	<u>(54)</u>	NM
PROFIT BEFORE TAX	29,694	48,068	(38.2)
Income tax expense	<u>(6,749)</u>	<u>(8,183)</u>	(17.5)
PROFIT FOR THE PERIOD	<u>22,945</u>	<u>39,885</u>	(42.5)
Profit for the period attributable to:			
Owners of the Company	18,479	33,698	(45.2)
Non-controlling interests	<u>4,466</u>	<u>6,187</u>	(27.8)
	<u>22,945</u>	<u>39,885</u>	(42.5)

NM: Not Meaningful

Statement of comprehensive income for the six months ended 31 December 2013

	Group		
	6 months to 31 Dec 2013 HK\$'000	6 months to 31 Dec 2012 HK\$'000	% increase/ (decrease)
PROFIT FOR THE PERIOD	22,945	39,885	(42.5)
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Exchange differences on translation of foreign operations	920	855	7.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	23,865	40,740	(41.4)
Total comprehensive income attributable to:			
Owners of the Company	19,399	34,553	(43.9)
Non-controlling interests	4,466	6,187	(27.8)
	23,865	40,740	(41.4)

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

	Group	
	6 months to 31 Dec 2013 HK\$'000	6 months to 31 Dec 2012 HK\$'000
Depreciation	15,081	8,094
Reversal of impairment of trade receivables	(508)	(2,754)
Write-down of inventories to net realisable value and write-off of obsolete inventories	2,767	1,993
Fair value loss on derivative financial instruments	1,206	383
Bank interest income	(440)	(852)
Gross rental income	(566)	(568)
Foreign exchange differences, net	(2,690)	(6,254)
Gain on disposal of items of property, plant and equipment	(96)	(237)

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 2013 HK\$'000	30 June 2013 HK\$'000	31 December 2013 HK\$'000	30 June 2013 HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	354,295	358,685	-	-
Investment properties	23,592	23,295	-	-
Goodwill	2,098	2,098	-	-
Investment in subsidiaries	-	-	76,308	76,308
Investments in an associate	418	388	-	-
Deferred tax assets	476	476	-	-
Total non-current assets	<u>380,879</u>	<u>384,942</u>	<u>76,308</u>	<u>76,308</u>
CURRENT ASSETS				
Inventories	265,936	171,844	-	-
Trade and bills receivables	338,242	359,510	-	-
Prepayments, deposits and other receivables	43,926	47,323	-	-
Amounts due from subsidiaries	-	-	47,292	48,797
Forward currency contracts	821	2,027	-	-
Cash and cash equivalents	<u>225,577</u>	<u>92,287</u>	<u>1,210</u>	<u>589</u>
Total current assets	<u>874,502</u>	<u>672,991</u>	<u>48,502</u>	<u>49,386</u>
CURRENT LIABILITIES				
Trade payables	387,070	197,410	-	-
Other payables and accruals	85,950	90,362	1,268	3,108
Income tax payable	10,980	15,168	64	18
Interest-bearing bank and other borrowings	<u>164,681</u>	<u>153,354</u>	-	-
Total current liabilities	<u>648,681</u>	<u>456,294</u>	<u>1,332</u>	<u>3,126</u>
NET CURRENT ASSETS	<u>225,821</u>	<u>216,697</u>	<u>47,170</u>	<u>46,260</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	606,700	601,639	123,478	122,568
NON-CURRENT LIABILITIES				
Deferred tax liabilities	<u>44,811</u>	<u>43,477</u>	-	-
Total non-current liabilities	<u>44,811</u>	<u>43,477</u>	-	-
Net assets	<u>561,889</u>	<u>558,162</u>	<u>123,478</u>	<u>122,568</u>

	Group		Company	
	31 December 2013 HK\$'000	30 June 2013 HK\$'000	31 December 2013 HK\$'000	30 June 2013 HK\$'000
EQUITY				
Equity attributable to owners of the Company				
Issued capital	21,286	21,221	21,286	21,221
Treasury shares	(71)	(71)	(71)	(71)
Reserves	<u>526,299</u>	<u>526,103</u>	<u>102,263</u>	<u>101,418</u>
	547,514	547,253	123,478	122,568
Non-controlling interests	<u>14,375</u>	<u>10,909</u>	-	-
Total equity	<u><u>561,889</u></u>	<u><u>558,162</u></u>	<u><u>123,478</u></u>	<u><u>122,568</u></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 2013		As at 30 June 2013	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
17	164,664	68	153,286

Amount repayable after one year

As at 31 December 2013		As at 30 June 2013	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured HK\$'000
-	-	-	-

Details of any collaterals

The above unsecured bank borrowings of HK\$164,664,000 and HK\$153,286,000 were covered by cross guarantees given by the Company and certain of its subsidiaries as at 31 December 2013 and 30 June 2013 respectively.

The finance lease obligations of HK\$17,000 and HK\$68,000 were secured by the underlying assets acquired as at 31 December 2013 and 30 June 2013 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	
	2013	2012
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	29,694	48,068
Adjustments for:		
Bank interest income	(440)	(852)
Write-down of inventories to net realisable value and write-off of obsolete inventories	2,767	1,993
Depreciation	15,081	8,094
Fair value loss on derivative financial instruments, net	1,206	383
Reversal of impairment of trade receivables	(508)	(2,754)
Gain on disposal of items of property, plant and equipment	(96)	(237)
Finance costs	767	687
Share of loss/(profit) of an associate	(30)	54
	<u>48,441</u>	<u>55,436</u>
Increase in inventories	(96,859)	(74,250)
Decrease/(increase) in trade and bills receivable	21,776	(45,082)
Decrease in factored trade receivables	-	679
Decrease in prepayments, deposits and other receivables	3,397	1,521
Increase in trade and bills payables	189,660	189,527
Increase/(decrease) in other payables and accruals	(4,412)	7,874
Cash generated from operations	162,003	135,705
Interest on bank and other borrowing paid	(766)	(680)
Interest element on finance lease rental payments	(1)	(7)
Dividends paid to the owners of the Company	(19,778)	(14,943)
Dividend paid to a non-controlling shareholder	(6,200)	-
Income tax paid	(11,138)	(13,202)
Net cash flows from operating activities	<u>124,120</u>	<u>106,873</u>

	Group	
	Six months ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
Net cash flows from operating activities	<u>124,120</u>	<u>106,873</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of items of property, plant and equipment	138	240
Purchases of items of property, plant and equipment	(8,626)	(7,163)
Interest received	440	852
Decrease/(increase) in time deposits with maturity of more than three months when acquired	(3,564)	<u>16,173</u>
Net cash flows from/(used in) investing activities	(11,612)	<u>10,102</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of employee share options	639	605
Purchase of treasury shares	-	(72)
New bank and other borrowings	303,624	467,569
Repayment of bank and other borrowings	(277,600)	(444,259)
Increase/(decrease) in trust receipt and import loans	(14,646)	36,091
Capital element of finance lease rental payments	(51)	(116)
Capital contribution by a non-controlling shareholder	<u>5,200</u>	<u>500</u>
Net cash flows from financing activities	<u>17,166</u>	<u>60,318</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	92,287	54,058
Effect of foreign exchange rate changes, net	<u>52</u>	(750)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>222,013</u></u>	<u><u>230,601</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	200,142	216,962
Time deposits	<u>25,435</u>	<u>20,421</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	225,577	237,383
Non-pledged time deposits with original maturity of more than three months when acquired	(3,564)	(6,782)
Cash and cash equivalent as stated in the consolidated statement of cash flows	<u><u>222,013</u></u>	<u><u>230,601</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.

The 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 building 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 2012												
- As previously reported	21,143	(1,525)	41,368	898	1,183	135,191	2,752	8,154	240,080	449,244	7,146	456,390
- Prior year adjustment in respect of deferred taxation	-	-	-	-	-	(2,706)	-	-	2,706	-	-	-
- As restated	21,143	(1,525)	41,368	898	1,183	132,485	2,752	8,154	242,786	449,244	7,146	456,390
Total comprehensive income for the period	-	-	-	-	-	-	-	855	33,698	34,553	6,187	40,740
Issue of shares under Karin Employees Share Option Scheme (the "Scheme")	70	-	745	-	(210)	-	-	-	-	605	-	605
Capital contribution by a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	500	500
Purchase of own shares and held as treasury shares	-	(72)	-	-	-	-	-	-	-	(72)	-	(72)
Final 2012 dividend paid	-	-	-	-	-	-	-	-	(14,943)	(14,943)	-	(14,943)
At 31 December 2012	<u>21,213</u>	<u>(1,597)</u>	<u>42,113</u>	<u>898</u>	<u>973</u>	<u>132,485</u>	<u>2,752</u>	<u>9,009</u>	<u>261,541</u>	<u>469,387</u>	<u>13,833</u>	<u>483,220</u>

The Group

	Attributable to owners of the Company											Non-controlling interests HK\$'000	Total equity HK\$'000
	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			
At 1 July 2013:	21,221	(71)	42,653	898	946	199,430	2,752	11,194	268,230	547,253	10,909	558,162	
Total comprehensive income for the period	-	-	-	-	-	-	-	920	18,479	19,399	4,466	23,865	
Issue of shares under the Scheme	65	-	818	-	(243)	-	-	-	-	640	-	640	
Capital contribution by a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	5,200	5,200	
Final 2013 dividend paid	-	-	-	-	-	-	-	-	(19,778)	(19,778)	-	(19,778)	
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	(6,200)	(6,200)	
At 30 December 2013	<u>21,286</u>	<u>(71)</u>	<u>43,471</u>	<u>898</u>	<u>703</u>	<u>199,430</u>	<u>2,752</u>	<u>12,114</u>	<u>266,931</u>	<u>547,514</u>	<u>14,375</u>	<u>561,889</u>	

The 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 2012	21,143	(1,525)	41,368	36,311	1,183	21,088	119,568
Total comprehensive income for the period	-	-	-	-	-	12,712	12,712
Issue of shares under the Scheme	70	-	745	-	(210)	-	605
Purchase of own shares and held as treasury shares	-	(72)	-	-	-	-	(72)
Final 2012 dividend paid	-	-	-	-	-	(14,943)	(14,943)
At 31 December 2012	<u>21,213</u>	<u>(1,597)</u>	<u>42,113</u>	<u>36,311</u>	<u>973</u>	<u>18,857</u>	<u>117,870</u>
At 1 July 2013	21,221	(71)	42,653	36,311	946	21,508	122,568
Total comprehensive income for the period	-	-	-	-	-	20,048	20,048
Issue of shares under the Scheme	65	-	818	-	(243)	-	640
Final 2013 dividend paid	-	-	-	-	-	(19,778)	(19,778)
At 31 December 2013	<u>21,286</u>	<u>(71)</u>	<u>43,471</u>	<u>36,311</u>	<u>703</u>	<u>21,778</u>	<u>123,478</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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

As at 1 July 2013, the Company held 40,000 (1 July 2012: 965,000) treasury shares. During the six months ended 31 December 2013, pursuant to the 2009 Share Buyback mandate, the company had not purchased any (31 December 2012: 40,000) of its own shares (the "Shares"). During the six months ended 31 December 2012, all the 40,000 Shares which have been held as treasury shares were market purchases with purchase price per share paid by the Company all at S\$0.280 per share, amounting to an aggregate purchase price of S\$11,000 (equivalent to HK\$72,000). As at 31 December 2013, the Company held 40,000 (31 December 2012: 1,005,000) treasury shares.

During the six months ended 31 December 2013, the Company issued 650,000 (31 December 2012: 700,000) new shares, upon the exercise of options under the Karin Employees Share Option Scheme.

	6 months to 31 Dec 2013			6 months to 31 Dec 2012		
Exercise price per share	S\$0.1264	S\$0.1608	S\$0.1060	S\$0.1264	S\$0.1608	S\$0.1060
Number of new shares issued	-	650,000	-	500,000	200,000	-

As at 31 December 2013, the Company's share capital was HK\$21,286,000 (30 June 2013: HK\$21,221,000) comprising 212,860,000 (30 June 2013: 212,210,000) ordinary shares including 40,000 (30 June 2013: 40,000) treasury shares.

The share options outstanding as at 31 December 2013 was 1,900,000 (30 June 2013: 2,550,000) which when fully vested could be convertible to 1,900,000 (30 June 2013: 2,550,000) ordinary shares of the Company upon exercise.

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 2013 was 212,820,000 (30 June 2013: 212,170,000).

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.

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 2013 as compared with the audited financial statements of the Group for the year ended 30 June 2013.

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 2014:

IFRS 1 Amendments	Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards – Government Loans</i>
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IFRS 10, IFRS 11 and IFRS 12 Amendments	<i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>
IFRS 13	<i>Fair Value Measurement</i>
IAS 19 Amendments	Amendments to IAS 19 <i>Employee Benefits</i>
IAS 27 (Revised)	<i>Separate Financial Statements</i>
IAS 28 (Revised)	<i>Investments in Associates and Joint Ventures</i>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009-2011 Cycle</i>	Amendments to IFRSs

The adoption of the above new and revised/amendments to IFRSs, has had no significant financial effect and there have been no significant changes to the accounting policies applied in these financial statements for the period ended 31 December 2013.

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.

The Group

	Six months ended 31 December	
	2013	2012
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>8.69</u>	<u>15.93</u>
- On a fully diluted basis (HK cents)	<u>8.65</u>	<u>15.84</u>
Profit attributable to the owners of the Company for earnings per share (HK\$'000)	<u>18,479</u>	<u>33,698</u>

The calculation of basic earnings per share for the six months ended 31 December 2013 and 2012 is based on the profit attributable to the ordinary shareholders of the Company for the respective periods and the weighted average of 212,542,881 and 211,528,369 shares respectively.

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 213,543,341 (2012: 212,710,312) ordinary shares, which was the weighted average of 212,542,881 (2012: 211,528,369) ordinary shares in issue during the six months ended 31 December 2013, and the weighted average of 1,000,460 (2012: 1,181,943) ordinary shares deemed to have been issued at no consideration on the deemed exercise of all outstanding share options during the period under review.

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

	<u>Group</u>		<u>Company</u>	
	As at 31 December 2013	As at 30 June 2013	As at 31 December 2013	As at 30 June 2013
Net asset value per ordinary share (HK cents)	264.0	263.1	58.0	57.8

Net asset value per ordinary share as at 31 December 2013 and 30 June 2013 was calculated based on the issued share capital excluding treasury shares of 212,820,000 and 212,170,000 ordinary shares as at 31 December 2013 and 30 June 2013 respectively.

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.

Income Statement

Revenue

With the global slow-down in economy, consolidated revenue of the Group for the six months ended 31 December 2013 decreased by HK\$480.6 million or 22.6% to HK\$1,642.7 million from HK\$2,123.3 million for the corresponding period last year.

As competition in the electronic component industry intensifies, our Field Application Engineers (FAEs) have increasingly been working closely with both customers and vendors to provide technical support and fine tune specifications of components in order to obtain the optimal solutions for their products. This is one of the means to expand our components distribution and our FAEs have been involved substantially in the Integrated Circuit Application Design (ICAD) segment in recent years. In order to reflect this synergistic effect, the ICAD segment has been merged into the Components Distribution (CD) segment in this reporting period.

Revenue from our Components Distribution segment reduced by HK\$50.3 million or 11.4%, from HK\$442.9 million (HK\$380.1 million (CD) + HK\$62.8 million (ICAD)) for the six months ended 31 December 2012 to HK\$392.6 million for the six months ended 31 December 2013. The reduction was mostly due to decrease in demand for certain electronic components for smart phones, and wireless applications for consumer accessories and medical devices during the period under review.

Revenue from our Information Technology Infrastructure (“IT Infrastructure”) segment slightly decreased by HK\$22.8 million or 4.6%, from HK\$492.2 million for the six months ended 31 December 2012 to HK\$469.4 million for the six months ended 31 December 2013. The decrease was mainly due to decrease in demand for network security products as well as enterprise software and hardware products during the period under review.

Revenue from our Consumer Electronics Products (“CEP”) segment decreased by HK\$407.5 million or 34.3%, from HK\$1,188.2 million for the six months ended 31 December 2012 to HK\$780.7 million for the six months ended 31 December 2013. The decrease was mainly due to the timing of release of new models in the second half of 2013.

Gross profit

Gross profit decreased by HK\$6.3 million or 5.5%, from HK\$114.7 million for the six months ended 31 December 2012 to HK\$108.4 million for the six months ended 31 December 2013. The decrease was mainly due to the 22.6% decrease in revenue during the period under review. However, gross profit margin increased by 22.2% from 5.4% for the six months ended 31 December 2012 to 6.6% for the six months ended 31 December 2013. The increase in gross profit margin was due to our value added service provided across all three segments and the drop in revenue of the low profit margin CEP segment.

Other income and gains, net

The net other income and gains decreased by approximately HK\$6.5 million or 56.5%, from HK\$11.5 million for the six months ended 31 December 2012 to HK\$5.0 million for the six months ended 31 December 2013. The decrease was mainly due to (1) decrease in gain on foreign exchange difference of HK\$3.6 million; (2) decrease in reversal of impairment of trade receivables of HK\$2.2 million; and (3) decrease in bank interest income of HK\$0.4 million.

Selling and distribution costs

Selling and distribution costs slightly increased by approximately HK\$2.8 million or 7.9% from HK\$35.4 million for the six months ended 31 December 2012 to HK\$38.2 million for the six months ended 31 December 2013. The increase was mainly attributed to (1) increase in rental and rates of HK\$1.4 million which was in turn due to increase in the number of retail stores; and (2) increase in credit card charges of HK\$0.8 million.

Administrative expenses

Administrative expenses increased by approximately HK\$2.1 million or 5.1%, from HK\$41.5 million for the six months ended 31 December 2012 to HK\$43.6 million for the six months ended 31 December 2013. The increase was mainly due to (1) increase in depreciation charge of HK\$6.9 million which was in turn due to (a) appreciation of property values for leasehold land and buildings; and (b) refurbishment of leasehold land and buildings for Hong Kong office premises; and offset by (2) decrease in information technology expenses of HK\$0.8 million; (3) decrease in staff bonus provision of HK\$2.3 million; and (4) decreased in bank charge of HK\$1.4 million.

Other expenses, net

Net other expenses increased by approximately HK\$0.8 million or 200%, from HK\$0.4 million for the six months ended 31 December 2012 to HK\$1.2 million for the six months ended 31 December 2013. The increase was mainly due to fair value loss on derivative financial instruments increased by HK\$0.8 million.

Finance costs

Finance costs slightly increased by approximately HK\$0.1 million or 14.3%, from HK\$0.7 million for the six months ended 31 December 2012 to HK\$0.8 million for the six months ended 31 December 2013.

Net Profit

Net profit attributable to owners of the Company decreased by HK\$15.2 million or 45.1%, from HK\$33.7 million for the six months ended 31 December 2012 to HK\$18.5 million for the six months ended 31 December 2013. The decrease was mainly attributable to the decrease in gross profit and increase in (1) selling and distribution costs; and (2) administrative expenses as explained above.

Statement of Financial Position

Non-current assets

Non-current assets comprised goodwill of HK\$2.1 million; investment properties, office equipment, leasehold land and buildings and motor vehicles totaling HK\$377.9 million; deferred tax assets of HK\$0.5 million and investment in an associate of HK\$0.4 million. There were no significant changes in non-current assets compared with the immediately preceding financial year ended as at 30 June 2013.

Current assets

As at 31 December 2013, current assets amounted to approximately HK\$874.5 million, an increase of HK\$201.5 million compared to the immediately preceding financial year end as at 30 June 2013. The increase was mainly due to (1) increase in inventories level by HK\$94.1 million resulting from an anticipation of increase in sales in January 2014 which was subsequently realised; and (2) increase in cash and cash equivalents by HK\$133.3 million.

Current liabilities

As at 31 December 2013, current liabilities amounted to approximately HK\$648.7 million, an increase of HK\$192.4 million compared to the immediately preceding financial year end as at 30 June 2013. The increase was mainly due to increase in trade and bills payables by HK\$189.7 million in order to support increase in sales towards the end of the current financial period.

Non-current liabilities

Non-current liabilities amounted to HK\$44.8 million, representing 6.5% of our total liabilities as at 31 December 2013. The amount mostly comprised of deferred tax liabilities. Deferred tax liabilities are recognised as a result of temporary differences between the carrying amounts and tax bases of our land and buildings and investment properties.

Liquidity and cash flow

As at 31 December 2013, cash and cash equivalents amounted to approximately HK\$225.6 million. Total interest bearing loans and borrowings as at 31 December 2013 were HK\$164.7 million and the gearing ratio, which is defined as total borrowings and finance leases payables to shareholders' funds excluding non-controlling interests, is 0.30 times (30 June 2013: 0.28 times).

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

Not applicable.

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

In spite of the difficult situation in the last six months, there are indications that demand for certain electronic components for smart phones and wireless application devices are on the rise. The Group will continue to enhance its product mix.

With respect to the IT Infrastructure segment, demand for network security products and enterprise software products is expected to be very much the same as that in the period under review. The Group is looking for opportunities in securing more distributorship rights.

For the Consumer Electronics Products segment, both the timing and number of new product releases in the time to come will have significant impact to both the Group's top and bottom lines.

Based on the above, the Group is cautiously optimistic of its performance in the next reporting period and the next 12 months.

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 HK5.2 cents per share amounting to a total of HK\$11,067,000 have been proposed and declared by the Directors.

Name of dividend	Interim
Dividend type	Cash
Dividend amount per share (in HK cents)	5.2 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)	7.2 cents per share	9.3 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

13 March 2014

(d) Books closure date

The Register of Members and Share Transfer Books of the Company will be closed on 26 February 2014, for the purpose of determining Members' entitlements to interim dividend of HK5.2 cents for the financial year ending 30 June 2014. 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 25 February 2014 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 25 February 2014 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 2013 to be false or misleading in any material respect. A statement signed by two directors is on record.

We, Ng Yuk Wing and Ng Kin 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 2013 to be false or misleading in any material respect.

On behalf of the board of directors

Ng Yuk Wing
Executive Director/Executive Chairman

Ng Kin Wing
Executive Director/CEO

BY ORDER OF THE BOARD

Ng Yuk Wing
Executive Chairman

12 February 2014