Karin Technology Holdings Limited

MODERNIZED DIGITAL ECONOMY

ANNUAL REPORT 2022

CORPORATE PROFILE

Listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") since March 2005, our Group is a prominent IT & Components Solutions and Services Group with a significant market presence spanning over 45 years in Hong Kong and the People's Republic of China ("PRC").

From the time when it was established in 1977, the Group's primary business focus has been on electronic components and computer distribution for various electronics industry segments including communications, computer, electrical appliances and utility. During the 1990s, our business expanded to include outsourcing services, IC application design solutions and data storage management solutions.

Since our listing on the SGX-ST Mainboard in 2005, we have carved out a growing presence in three core businesses – Components Distribution; IT Infrastructure Solutions and Services; and Consumer Electronics Products – in Hong Kong and the PRC markets.

In 2007, the Group acquired I M I Kabel Pte Ltd, a Singapore-based distributor of data control cables and manufacturer of power panels for a variety of industries ranging from industrial automation to building, port and shipyard, offshore oil fields and petrochemical facilities. In 2019, it has extended to switchboard panel production and installation business. To reflect its enlarged business segments, the company changed its name to I M I Kabel & Engineering Pte Ltd in 2020.

In 2011, Karin added a retail business arm to its operations under the trade name "In-Smart" which was subsequently disposed of on 30 June 2016 and re-invested on 1 April 2018.

Contents

CHAIRMAN'S STATEMENT	2
CEO'S MESSAGE AND OPERATION REVIEW	4
FINANCIAL REVIEW	7
BOARD OF DIRECTORS	12
SENIOR MANAGEMENT	15
GROUP STRUCTURE	17
NOTABLE EVENTS IN FY2022	18
MILESTONES	20
CORPORATE INFORMATION	23
REPORT ON CORPORATE GOVERNANCE	24
FINANCIAL CONTENTS	51
FINANCIAL SUMMARY	140
STATISTICS OF SHAREHOLDINGS	142
INFORMATION ABOUT INVESTMENT PROPERTIES HELD AND PROPERTY HELD FOR SALE	145
NOTICE OF ANNUAL GENERAL MEETING	146
SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION	157

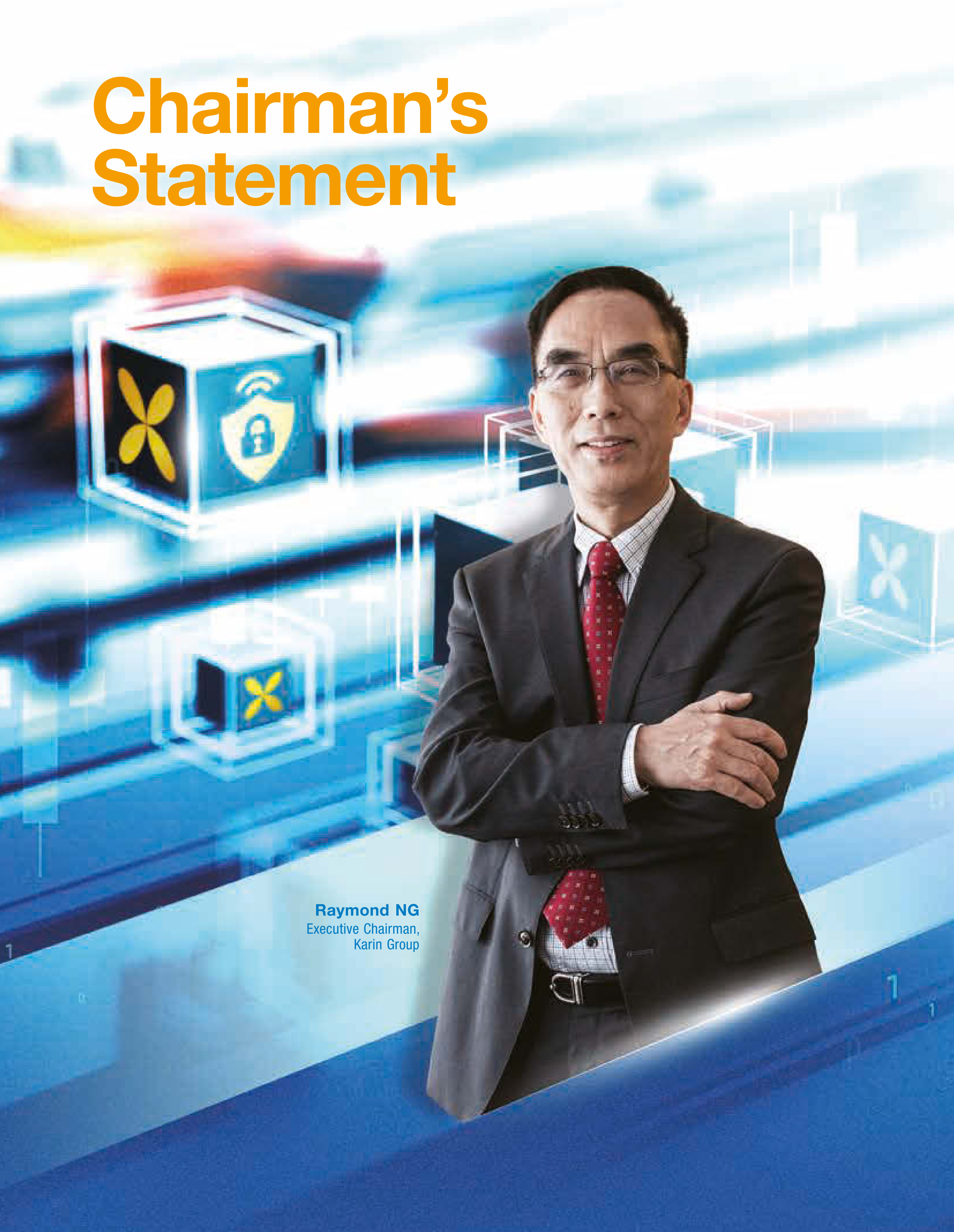
VISION

Globalization, modernization and technology are the drivers of rapid economic growth and wealth creation, providing many business opportunities to most companies and industries in the coming decades and Hong Kong is indeed the essential gateway to China for the rest of the world while Singapore is the central business hub for ASEAN countries.

MISSION

To provide competitive products and solutions through our core competence of product development, technical skill-set and field-application after-sales service. To be the leading value-added service provider in electronic, retail, IT and infrastructure industries in China, Hong Kong, Macau, Singapore, ASEAN countries today and tomorrow.

Chairman's Statement



Raymond NG
Executive Chairman,
Karin Group

NEW ERA AND NEW ORDER

2022 is the year of Karin Group's 45th Anniversary. It has been a most extraordinary year of all the years of the past four-and-a-half decades. In 1977, Karin started as an electronic component and computer hardware distribution company, while Hong Kong was the trading gateway between China and the rest of the world, and today Karin has transformed into an Integrated Circuit and Information Technology (IC/IT) product and solutions provider. This was not an easy feat. We navigated through the ups and downs of major regional and global economic cycles, created new operating models, and continuously innovated new businesses over the past years. Karin rebranded itself as a leading Consumer Electronics Products supplier and IC/IT services provider, riding the wave of China's rapid growth, as Hong Kong evolved in the new era order.

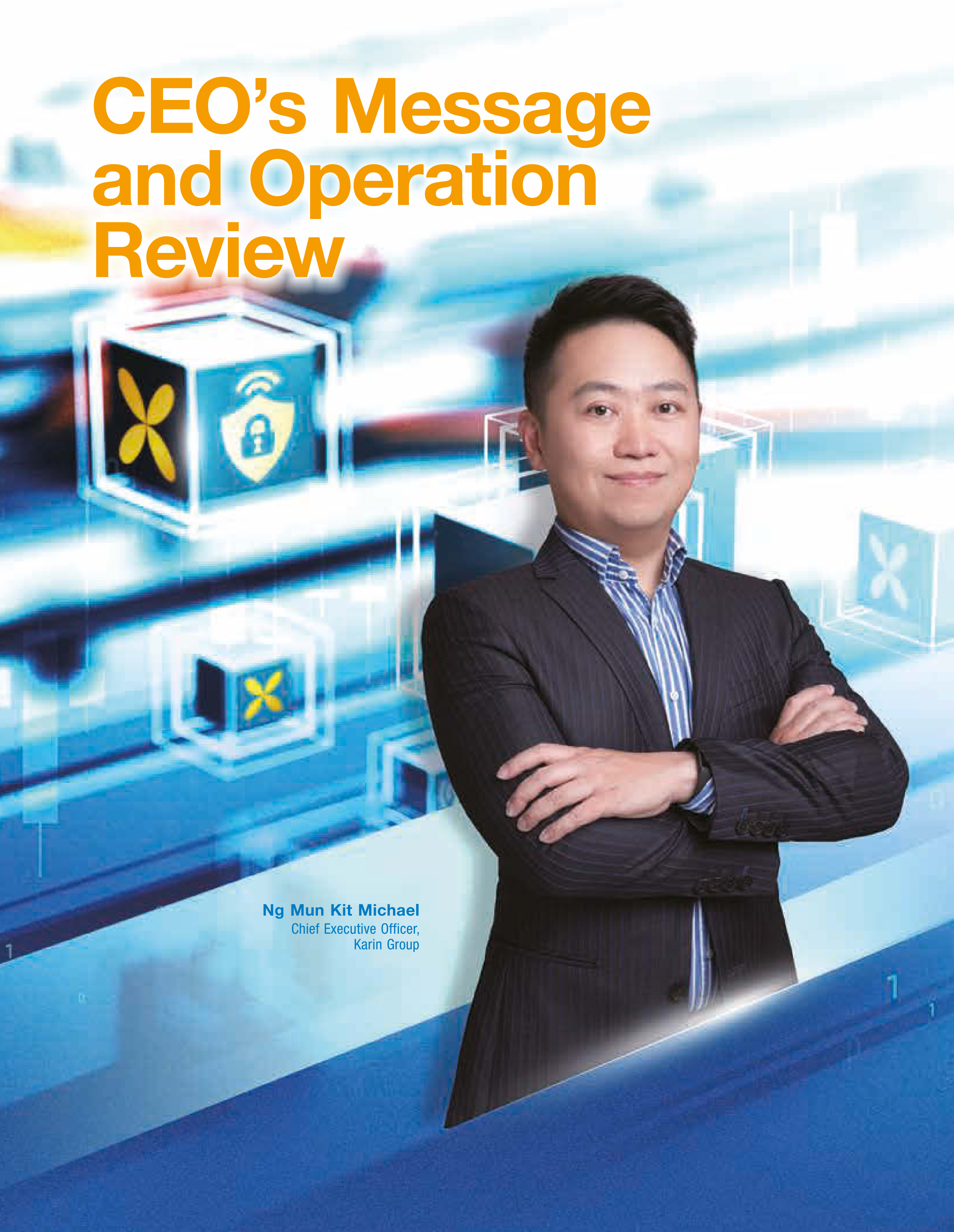
I am the co-founder of Karin and an entrepreneur with a broad background in business management and engineering. We value and award capable staff with strong engineering skillsets, sharp business acumen, and proven sales and marketing knowledge in China, especially in the Greater Bay Area ("**GBA**"). We believe that our focus on technology and China's prosperity are critical to Karin's continued growth. We have the backing of our engineering staff with the expertise in building IC/IT and smart consumer products and solutions for the end customer of the new generation.

With regards to FY2022 performance: I thank our management and staff and our strategic partners (bank, vendors, and customers) for their support during the most challenging years of the Covid-19 pandemic. Through this, Karin has remained profitable for the past 45 years and will continue to reward its stakeholders and staff with well-managed business, attractive compensation, and above-market shareholder dividends. I am confident we will continue to do so in the years ahead.

With regards to FY2023 challenges: the ascendency of China's manufacturing and services sectors and Hong Kong's strength as Asia's financial hub are facing new challenges in a turbulent and changing economic order. The global economy must fight off stagflation that came due to easy monetary policy, supply chain disruptions, and Sino-U.S. technology war that is reversing globalization in key sectors such as semiconductors. The ongoing war in Europe will continue to disrupt energy markets, hurting the world's end consumers. However, with the right strategic focus and effective execution, balanced by sound risk, cost, credit, and stock management and the maintenance of long-term business contracts, I am confident that Karin will keep growing and return much value to stakeholders and shareholders accordingly.

Together, we pace for tomorrow!
Raymond Ng,
Chairman and Executive Director
Karin Technology Holdings Limited

CEO's Message and Operation Review



Ng Mun Kit Michael
Chief Executive Officer,
Karin Group

Dear Shareholders,

The COVID-19 pandemic's consequences have altered societal norms and economic practices around the world in recent years. The persistent disruption of supply chains continue to cause problems even as business activities gradually resume, and this has resulted in a new normal marked by higher costs of business. In addition, the ongoing COVID-19 lockdowns in China, the impact of the Russia-Ukraine war on Europe's energy supply, and the rise in inflation and interest rates all add to the challenging environment that firms must navigate.

Against this backdrop, Karin has put in a lot of effort group-wide, to protect our profitability by preserving core businesses, while continuing to expand into new areas to increase our presence in the quickly shifting technology landscape.

Karin commemorated its 45th anniversary in FY2022 but the more important thing to note is that we are celebrating 45 years of profitability. We have weathered many economic cycles and challenges over the past four and a half decades and as we look back on those years, we believe we have built a resilient and nimble company with the ability to read and respond to changing trends and to quickly seize all opportunities that are available to us.

To mark this important milestone, we unveiled our newly renovated and upgraded headquarters in Hong Kong, which is now equipped with the latest facilities, equipment and solutions to demonstrate our wide portfolio of technologies, services and capabilities to our customers.

FY2022 PERFORMANCE REVIEW

In the financial year ended 30 June 2022 ("**FY2022**"), Karin's revenue increased 6.2% to HK$1,992.6 million mainly driven by the strong performance of the Group's main revenue generator – its Information Technology ("**IT**") segment, which expanded 9.2% year-on-year ("**YOY**") in revenue to HK$1,163.7 million mainly due to the strong track record and expertise we have built in this segment over the years.

Our Consumer Electronic Products ("**CEP**") segment also showed a significant improvement in performance due to an expanded product portfolio and the boost from the Hong Kong SAR government's consumption voucher program during FY2022 to life consumer spending. This resulted in a 65.0% leap in sales to HK$256.1 million.

However, the revenue expansion from these two segments was partially offset by weaker revenue from our Components Distribution ("**CD**") segment mainly due to the suspension of numerous economic activities and lockdowns across several cities in the People's Republic of China ("**PRC**") as part of the country's strict zero Covid-19 stance, particularly in the second half of FY2022. As a result, revenue contribution from our CD segment declined 12.5% YoY to HK$572.7 million.

Despite the challenging operating environment, Karin was able to achieve healthy topline growth and profit before tax, which showed that our strategies to diversify our IT business and the ongoing expansion of our product portfolio and customer base has continued to yield results.

If not for a significant increase in tax expense and the accrual of withholding tax liabilities, we would have achieved a stronger bottomline in FY2022. Nevertheless, we closed the year profitable with net profit attributable to owners coming in at HK$20.4 million.

To thank our shareholders for your support, our Board of Directors has proposed a tax-not-applicable final dividend of 11.8 HK cents per share subject to shareholders' approval at the forthcoming AGM. Including the 12.8 HK cents per share (comprising an interim dividend of 4.0 HK cents a share and a special 45th anniversary interim dividend of 8.8 HK cents a share), this brings total dividend in respect of FY2022 to 24.6 HK cents per share.

CEO's Statement and Operation Review FY22

IT, CEP AND CD BUSINESS STRATEGY AND DEVELOPMENT

The global technology landscape continues to evolve geographically amidst a disrupted supply chain, and rising inflation and interest costs. Having been in the business for more than four decades, Karin has evolved with the rapid changes in our industry. We are led by a long-serving and experienced management team that drive the strategic direction for our Group and we also have a strong base of IT talents within each of our segments that ensures our operations and capabilities are in line with the ever-changing technology needs of our customers.

Over the years, we expanded our IT segment into new solutions in cloud and I.T. infrastructure as well as professional consultation and services capabilities. The close proximity of our operations to the PRC gave us an edge as it enabled us to leverage the rise of information technology solutions of the PRC coming to the international stage. In the medium and long term, we anticipate that this segment's growth will continue to be led by high demand for I.T. infrastructure, data platform and cyber security solutions.

The supply problems that have affected the manufacturing of electrical products and equipment, and a declining demand worldwide will continue to challenge our CD segment. To address this, we have reviewed our strategies and aligned them in accordance with the global push towards energy-efficient and green power solutions. In doing so, we believe Karin's expansion into power and energy solutions will drive new markets for our Group.

Meanwhile, our CEP segment's success through our enlarged portfolio of leading brands and new products is expected to continue to see progress, especially with our new focus on the smart office and gaming markets.

LOOKING AHEAD INTO FY2023

Over the last 45 years, the skilled leadership and management team effectively grew Karin into a multi-segment business. The growth strategy calls for maintaining our technological offerings while recognising our aptitude for bringing about change and transformation.

We are aware of the difficulties that lay ahead in the upcoming year due to global economic uncertainty. We believe all three of our business segments are well-positioned to handle these circumstances thanks to our strong and knowledgeable staff. To support our business strategies and long-term objectives, we will continue to invest cautiously. We will continue to work as a team to create a sustainable future for the Group.

APPRECIATION

In closing, I want to thank all our staff who have worked hard to drive sales for the Group and to support our customers' needs during these trying times. I also want to thank our business partners, clients, and other stakeholders with whom we have collaborated closely to achieve our goals.

I would also like to express my appreciation to my fellow Directors on the Board for your advice and guidance throughout FY2022.

Finally, I would like to thank our shareholders for your trust in our Group. We will continue to work hard so as to uphold our track record of profitability and for paying annual dividends since our listing in 2005.

With everyone's support, I believe Karin will have many more good years to come.

Ng Mun Kit, Michael
Executive Director & Chief Executive Officer

Financial **Review**

PROFIT AND LOSS

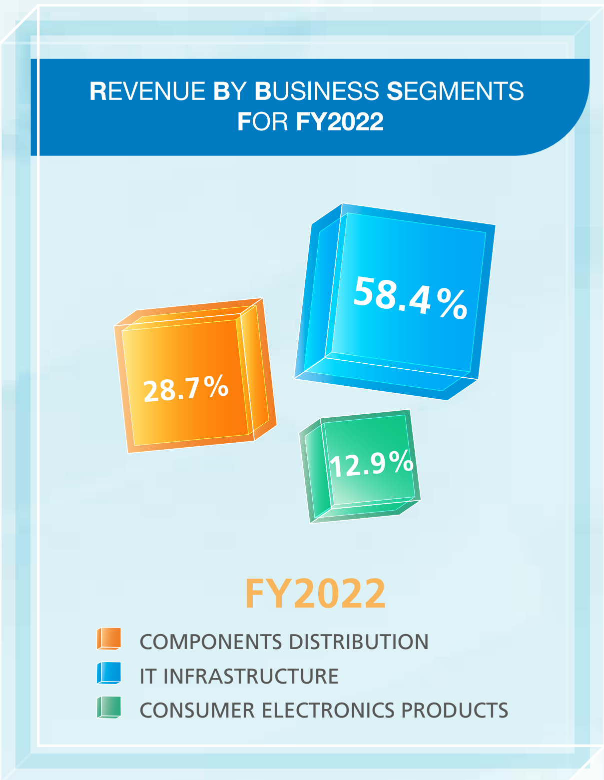
REVENUE

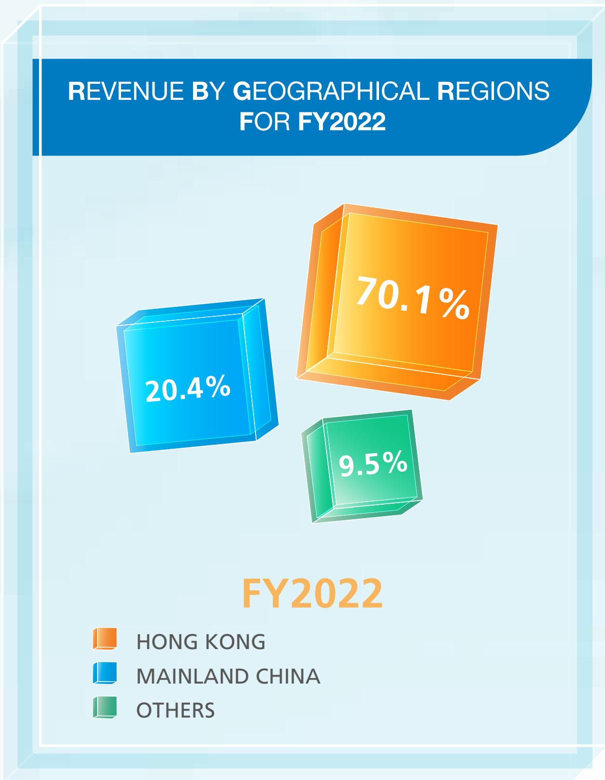
Consolidated revenue of the Group increased by approximately HK$117.0 million or 6.2% to HK$1,992.6 million for the year ended 30 June 2022 ("**FY2022**") from HK$1,875.6 million for the year ended 30 June 2021 ("**FY2021**").

Revenue from our Components Distribution ("**CD**") segment decreased by HK$81.9 million or 12.5% to HK$572.7 million for the year under review from HK$654.6 million for the year ended 30 June 2021. The decrease was mainly due to the protracted lockdowns for prolonged periods in various major cities in the PRC as a result of China's zero-COVID strategy which ceased most of the business activities especially in the second half of FY2022.

Revenue from our Information Technology Infrastructure ("**IT Infrastructure**") segment increased by HK$97.9 million or 9.2% to HK$1,163.7 million for the current year from HK$1,065.8 million for the year ended 30 June 2021. The increase was mainly due to strong demand for network security products, cloud solution services and data visualization tools as a result of accredited work done in past years that this segment was able to go wider and deeper in the market during FY2022.

Revenue from our Consumer Electronics Products ("**CEP**") segment increased by HK$100.9 million or 65.0% to HK$256.1 million for the current year from HK$155.2 million for the year ended 30 June 2021. The increase was mostly due to the release of certain new CEP coincided with the consumption voucher scheme launched by the HKSAR Government.





Financial **Review**

GROSS PROFIT

Gross profit increased by HK$3.0 million or 1.7% to HK$176.6 million for the year ended 30 June 2022 from HK$173.6 million for the year ended 30 June 2021. Gross profit for FY2022 was arrived at after deducting, among others, a write-down of inventories to net realizable value of HK$9.1 million (FY2021: reversal of write-down of inventories to net realizable value of HK$5.9 million). The substantial increase in write-down of inventories to net realizable value of HK$9.1 million was mainly due to customers' deferral of placing their orders with the Group in view of the protracted COVID-19 pandemic lockdown periods in the second half of the year under review.

OTHER INCOME AND GAINS, NET

Other income and gains, net increased by HK$2.5 million or 15.5% to HK$18.6 million for the year ended 30 June 2022 from HK$16.1 million for the year ended 30 June 2021. The increase was mainly due to (1) HK$10.5 million gain on disposal of properties held for own use and investment in the PRC; offset by (2) decrease in COVID-19 pandemic subsidy received; and (3) no fair value gain on investment properties recorded for the year.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs decreased by HK$7.8 million or 10.2% to HK$68.8 million for the year ended 30 June 2022 from HK$76.6 million for the year ended 30 June 2021. The decrease was mainly due to decrease in staff bonus expenses of HK$7.0 million.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by HK$9.6 million or 14.3% to HK$76.8 million for the year ended 30 June 2022 from HK$67.2 million for the year ended 30 June 2021. The increase was mainly due to increase in (1) depreciation of right-of-use assets of HK$7.2 million; and (2) building management fee of HK$1.1 million.

OTHER EXPENSES, NET

Other expenses, net increased by HK$0.8 million or 10.5% to HK$8.4 million for the year ended 30 June 2022 from HK$7.6 million for the year ended 30 June 2021. The increase was mainly due to fair value loss on investment properties of HK$1.8 million; and offset by decrease in impairment of trade receivables of HK$0.8 million.

FINANCE COSTS

Finance costs increased by HK$1.8 million or 128.6% to HK$3.2 million for the year ended 30 June 2022 from HK$1.4 million for the year ended 30 June 2021. The increase was mainly due to (1) an increase in bank borrowings interest rate by almost 20 basis points from last year coupled with (2) an increase in bank borrowings to support the increase in revenue.

INCOME TAX EXPENSES

Substantial increase in income tax expenses was mainly due to (1) withholding tax of HK$5.6 million paid on dividend declared by subsidiaries in the PRC and repatriated to Hong Kong during the year under review; and (2) accrual of withholding tax liabilities of HK$6.1 million on retained profits recorded in those subsidiaries in the PRC that have yet to be declared as dividends for repatriation to Hong Kong.

NET PROFIT

Net profit attributable to owners of the Company decreased by HK$12.0 million or 37.0% to HK$20.4 million for the year ended 30 June 2022 from HK$32.4 million for the year ended 30 June 2021. The decrease was mostly attributable to (1) increase in tax expenses of HK$14.8 million which includes the withholding taxes as explained above; (2) increase in depreciation of right-of-use asset of HK$6.8 million; (3) increase in finance costs of HK$1.8 million; and (4) offset by gain on disposal of properties in the PRC of HK$10.5 million.

NON-CONTROLLING INTERESTS

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

STATEMENT OF FINANCIAL POSITION

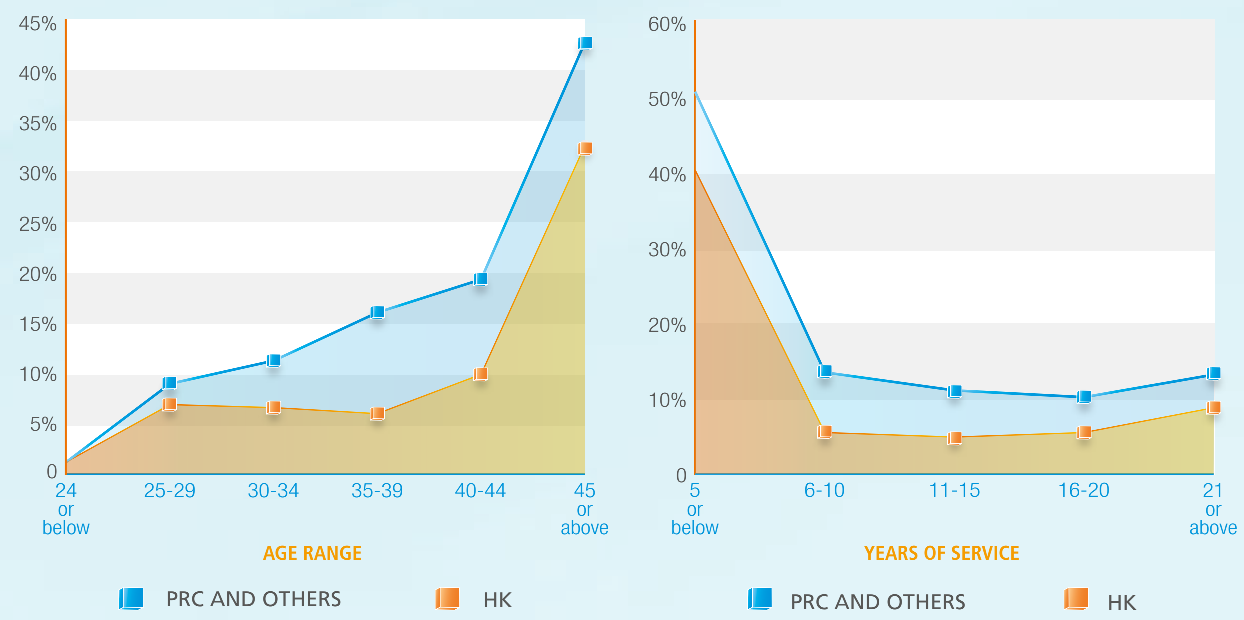
NON-CURRENT ASSETS

At 30 June 2022, non-current assets amounted to HK$122.9 million, representing approximately 10.1% of the total assets. Non-current assets increased by HK$15.7 million or 14.6% to HK$122.9 million as at 30 June 2022 from HK$107.2 million as at 30 June 2021. The increase was mostly due to (1) increase in right-of-use assets of HK$17.7 million which was due to the Company moving to a leased office premises during the year; (2) increase in long term prepayments and other receivables of HK$4.5 million; and (3) increase in contract assets of HK$3.0 million which was a result of the increase in the ongoing sale of IT infrastructure towards the end of the financial year; and offset by (4) decrease in investment properties of HK$12.2 million due to the disposal of properties in the PRC.

CURRENT ASSETS

As at 30 June 2022, current assets amounted to HK$1,094.3 million, an increase of HK$121.3 million compared to the preceding financial year end as at 30 June 2021. The increase was mainly due to (1) increase in trade and bills receivables of HK$1.9 million; (2) increase in prepayment and other receivables of HK$38.0 million; (3) increase in contract assets of HK$6.8 million which was a result of the increase in the ongoing sale of IT infrastructure at the end of the financial year; (4) increase in cash and cash equivalents of HK$51.6 million; and (5) increase in inventories of HK$24.2 million.

STAFF STATISTICS



Financial Review

CURRENT LIABILITIES

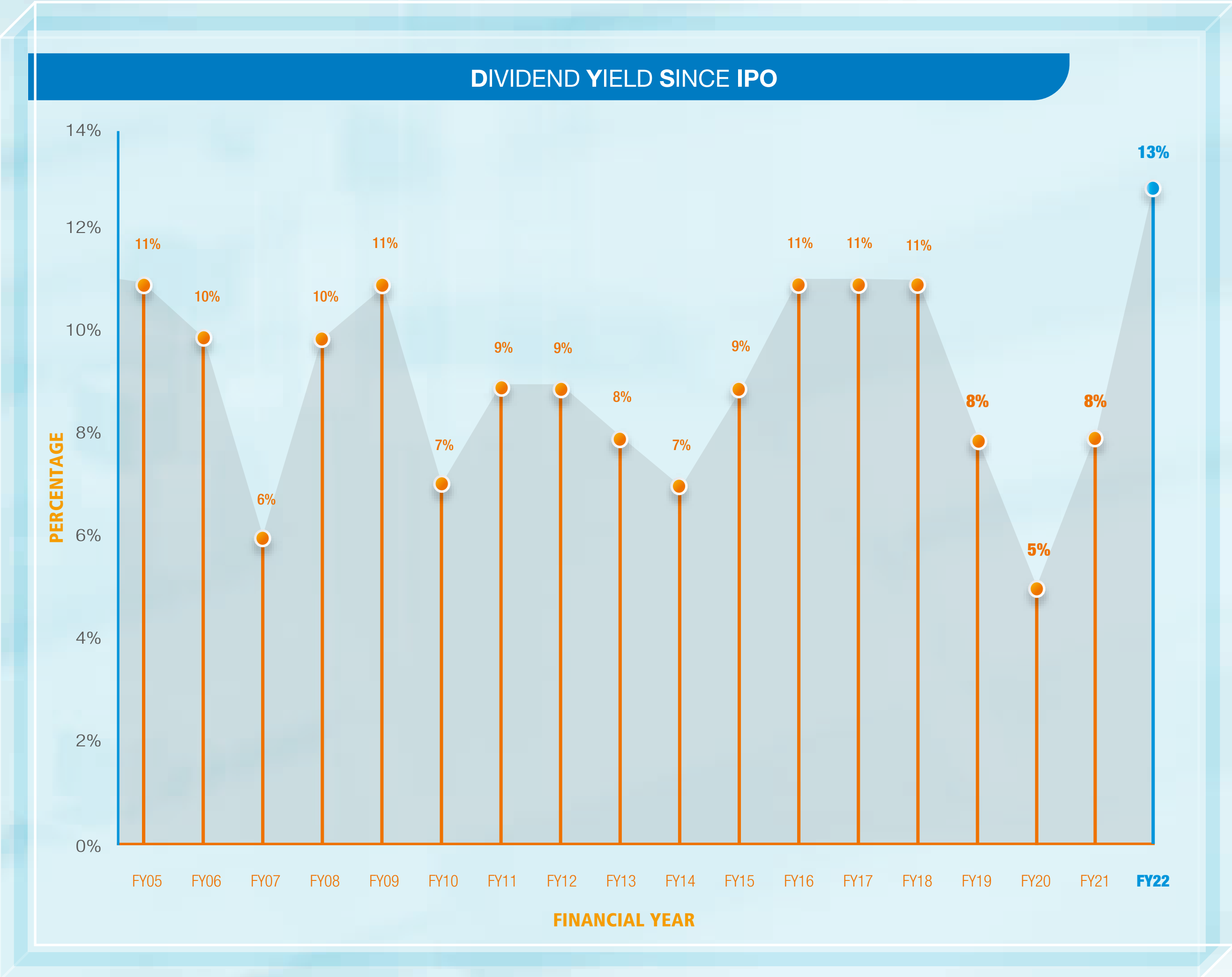
As at 30 June 2022, current liabilities amounted to approximately HK$753.3 million, an increase of HK$151.9 million compared to the preceding financial year end as at 30 June 2021. The increase was mainly due to (1) increase in interest-bearing bank and other borrowings by HK$110.7 million; and (2) increase in other payables and accruals by HK$35.8 million.

NON-CURRENT LIABILITIES

Non-current liabilities amounted to HK$38.7 million, representing 4.9% of the total liabilities as at 30 June 2022. The amount comprised of deferred tax liabilities, long term contract liabilities and long-term lease liabilities. Deferred tax liabilities were recognised as a result of temporary differences between the carrying amounts and tax bases of property, plant and equipment due to depreciation and withholding tax on retained profits on PRC subsidiaries.

LIQUIDITY AND CASH FLOWS

As at 30 June 2022, cash and cash equivalents amounted to HK$125.3 million. Total interest-bearing loans and borrowings as at 30 June 2022 were HK$244.6 million (30 June 2021: HK$134.0 million). The gearing ratio (total interest-bearing borrowings to total equity) is 0.58 times (2021: 0.29 times).



Board of Directors

Mr. Ng Kin Wing, Raymond

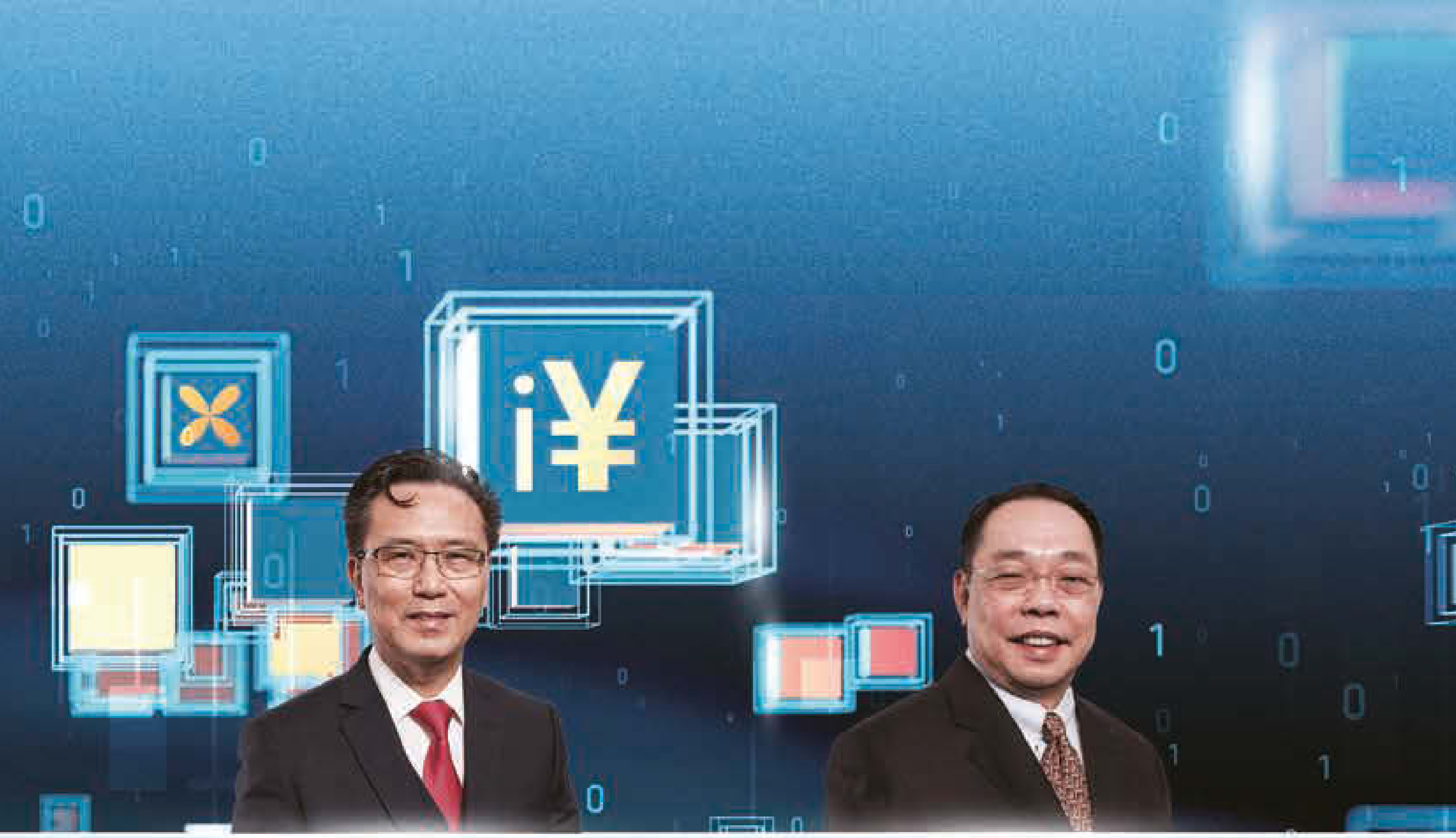
Executive Chairman

Mr. Ng Kin Wing, Raymond, is the Executive Chairman and Executive Director of our Group. He was appointed as Executive Chairman on 9 October 2014 and a member of our Board since 5 September 2002. He stepped down from the Chief Executive Officer post on 1 July 2021 and remain the Executive Chairman of the Group. Mr. Raymond Ng is one of the founders of our Group and is responsible for overseeing the Group's entire operations and general management. He has over 40 years of experience in the components distribution and computer business. Mr. Raymond Ng is a full member of the Hong Kong Management Association, a fellow member of the Hong Kong Institute of Marketing, a member of the Society of Automotive Engineers International (MSAE), a Chartered Engineer (CEng), a member of the Institution of Mechanical Engineers (MIMechE) and a member of the Institute of Electrical and Electronics Engineers (MIEEE). Mr. Raymond Ng obtained his Higher Certificate in Mechanical Engineering at the Hong Kong Technical College (former college of the Hong Kong Polytechnic University) in 1971 and Bachelor of Business Administration degree from the University of East Asia of Macau (Former University of Macau) in 1990. In 2004 he obtained a Master of Business Administration (MBA) degree from the Macquarie University of Sydney, Australia. In addition, he was awarded the degrees of Master of Arts in Applied Translation (MAAT) from Hong Kong Metropolitan University (Former The Open University of Hong Kong) in 2008 and Master of Science (MSc) in Energy and Environment from City University of Hong Kong in 2015. He is the younger brother of Mr. Philip Ng, and uncle of Mr. Michael Ng.

Mr. Ng Mun Kit, Michael

Chief Executive Officer

Mr. Ng Mun Kit, Michael, is the Chief Executive Officer and Executive Director of our Group. He joined our Group in 2014 and was appointed to our Board on 1 July 2018. He took on dual roles as Executive Director and Chief Executive Officer on 1 July 2021. He is responsible for overseeing the entire operations and general management of the Group. He graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree with majors in Finance and Marketing in 1998. In 2002, Mr. Michael Ng obtained a Graduate Diploma in Applied Finance and Investments from the Securities Institute of Australia, and a Diploma in Technical Analysis from the Australian Technical Analysis Association. From 2000 to 2014, Mr. Michael Ng worked at Thomson Reuters as senior learning consultant for the group in Asia. Mr. Michael Ng has concentrated on all of the Group's segment businesses and operations since joining Karin in 2014, and overseeing a number of Group segment expansions. He is the son of Mr. Philip Ng and nephew of Mr. Raymond Ng.



Mr. Ng Yuk Wing, Philip
Chairman Emeritus

Mr. Ng Yuk Wing, Philip, was appointed as Executive Director of the Group on 1 April 2021 and designated as Chairman Emeritus effective 1 July 2021. Prior to this, Mr. Philip Ng was Senior Executive Director from 9 October 2014 to 1 July 2018 and designated as Executive Advisor on 1 July 2018 after his cessation as Senior Executive Director. Mr. Philip Ng contributes to the Group on significant matters relating to Group strategy including overall strategic planning and business development. Mr. Philip Ng is one of the founders of our Group, having established Karin Electronic Supplies Co. Ltd. in 1977. Mr. Philip Ng has over 30 years of experience in the components distribution business. He graduated from the University of Hong Kong with a Bachelor of Science degree in Electrical Engineering in 1972. He is the elder brother of Mr. Raymond Ng and father of Mr. Michael Ng.

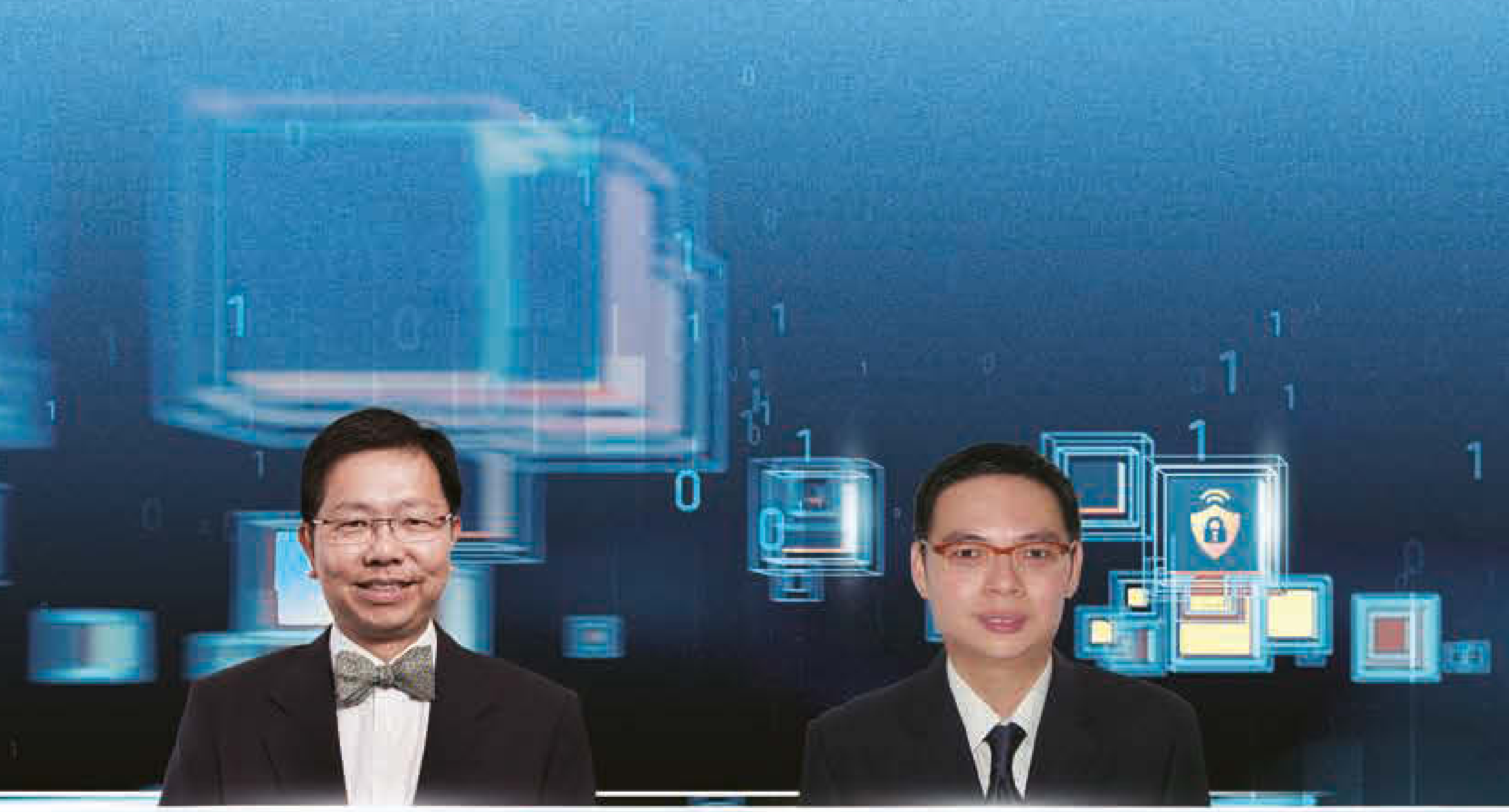
Mr. Lawrence Kwan
Lead Independent Director

Mr. Lawrence Kwan was appointed an Independent Director of the Company on 13 July 2012 and has been the Lead Independent Director since 23 October 2020. He has more than 40 years of experience in financial services and professional corporate secretarial services. He currently serves as an Independent Director of SBI Offshore Ltd (In Liquidation) and the Company Secretary for Marco Polo Marine Ltd; both companies are listed on the Stock Exchange of Singapore (SGX).

Between 2008 and 2014, he was a Board Member and Audit Committee Member of the Accounting and Corporate Regulatory Authority of Singapore (ACRA).

Mr. Kwan is a Fellow member of the Institute of Chartered Secretaries and Administrators, United Kingdom, a Fellow member of the Chartered Secretaries Institute of Singapore (CSIS). He is currently a Council Member and the past Chairman of the Singapore Association of the Institute of Chartered Secretaries and Administrators (SAICSA) now known as Chartered Secretaries Institute of Singapore (CSIS). He holds a Master of Business Administration degree from the University of East London, United Kingdom. He is a Graduate member of the Australian Institute of Company Directors and a full member of the Singapore Institute of Directors.

Board of Directors



Mr. Lim Yew Kong, John
Independent Director

Mr. Lim Yew Kong, John, was appointed an Independent Director of the Company on 20 January 2005. Since 1991, Mr. Lim has been involved in the private equity industry in Asia as a director of various investment advisory firms engaged in direct investments. From 1989 to 1991, Mr. Lim worked in Dowell Schlumberger in the United Kingdom, where he was UK division controller. Between 1984 and 1988, he was with Arthur Andersen & Co, London. Mr. Lim graduated with a Bachelor's Degree in Economics in 1984 from the London School of Economics and Political Science in the United Kingdom. He qualified as a chartered accountant in 1987 from the Institute of Chartered Accountants in England and Wales. Mr. Lim also serves as an Independent Director on other SGX listed companies.

Mr. Kuan Cheng Tuck
Independent Director

Mr. Kuan Cheng Tuck has more than 20 years of experience in the fields of accounting, auditing as well as business and financial advisory. Mr. Kuan had worked with various international accounting firms in Singapore and Malaysia for some ten years prior to managing his own business consulting firm. Mr. Kuan has also served as independent director of various companies listed on the SGX-ST.

Mr. Kuan holds a Bachelor of Accountancy degree from the Nanyang Technological University of Singapore, a Bachelor of Laws (Honours) degree from the University of London and a Master of Laws (Corporate and Financial Services Law) degree from the National University of Singapore. He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom, and a member of the Institute of Singapore Chartered Accountants. He was also admitted to the Singapore Bar.

Senior **Management**

Mr. Lee Yiu Chung, Eugene

Chief Operating Officer

Mr. Lee Yiu Chung, Eugene, is the Chief Operating Officer of our Group during the year under review. He joined our Group in July 1988 and was appointed to our Board on 26 January 2003. Mr. Lee resigned as Executive Director with effect from 1 July 2020 but remained as Chief Operating Officer. Mr. Lee has over 30 years of experience in marketing and sales management and is responsible for overseeing the entire operations of our Group. He obtained his Bachelor of Science degree in 1988 and Master of Science degree in Finance in 2005 both from the Chinese University of Hong Kong.

Mr. Cheng Pak Cheong, Ray

General Manager of IC Application Design Division

Mr. Cheng Pak Cheong, Ray, joined our Group in July 1988. He is responsible for the IC application design division of our Group. He has over 20 years of experience in the electronic industry including sales, marketing and engineering. He holds a Bachelor of Science degree from the University of Hong Kong; a Master of Management degree in Financial Management and a Master of Business Administration degree from the Macquarie Graduate School of Management; and a Master of Laws degree from the Renmin University of China.

Mr. Chong Shi Fan, Stephen

General Manager of Industrial Materials & Instrumentation Division

Mr. Chong Shi Fan, Stephen, joined our Group in March 1991. He is responsible for the sales and marketing of industrial components and parts in our Group. Mr. Chong graduated from PCL – University of Westminster with a Bachelor of Mechanical Engineering degree. He has over 20 years of experience in Sales & Marketing of Electrical and Mechanical parts.

Ms. Fan Shu Yung, Cecilia

Human Resources & Administration Manager and Legal Coordinator

Ms. Fan Shu Yung, Cecilia, joined our Group in November 1996 and is responsible for human resources management and office administration and legal affairs coordinator of our Group. Ms. Fan graduated from the University of Wollongong, Australia with a Bachelor of Commerce degree and holds a Master of Management degree in Human Resources Management from the Macquarie University, Australia. Ms. Fan has been working in the management position for over 20 years.

Mr. Leung Yiu Chown, Desmond

Chief Technology Officer and General Manager of IT Infrastructure Division

Mr. Leung Yiu Chown, Desmond, was appointed Chief Technology Officer of the Group on 8 January 2019. Mr. Leung supervises overall IT functions (internally and externally) including application system design and development, office automation and communication networks, services delivery and end user support, as well as strategic planning to meet the business/organization objectives in the most cost-effective manner.

Mr. Leung is also the General Manager of IT Infrastructure Division of the Group. He is responsible for new business development and the overall operations of the Group's Information Technology business. He holds a Bachelor of Science degree in Electrical Engineering from the University of Washington. He has been in the IT industry over 20 years. He had been a system analyst, software specialist and operations manager for software services at Digital Equipment Ltd where he was responsible for the business process and establishment of the technical support group providing technical support for the whole region between 1982 to 1992. From 1992 to 1994, he was the general manager of Winup Investment Ltd, where he was responsible for real estate development in the PRC. From 1994 to 2001, Mr. Leung was the managing director of EPro Systems Ltd before joining our Group in November 2001.

Senior Management

Mr. Mok Pui Wah, Kenneth

General Manager of Electronic Components Division

Mr. Mok Pui Wah, Kenneth, joined our Group in March 1988 and is responsible for overseeing the sales and marketing of the electronic components of our Group. Mr. Mok graduated from the University of Kent at Canterbury with a Bachelor of Electronic Engineering degree. He is an associate member of the Institute of Electronic Engineers and has over 20 years of experience in engineering, sales and marketing of electronic and electrical components.

Ms. Ng Shuk Yi, Louisa

Financial and Accounting Manager

Ms. Ng Shuk Yi, Louisa, joined our Group in March 1980 and is responsible for the overall accounting affairs and credit policy setting and implementation of our Group. She has over 20 years of experience in the field of finance and accounting.

Mr. Wong Chi Cheung, Clarence

Financial Controller and Joint Company Secretary

Mr. Wong Chi Cheung, Clarence, joined our Group in May 2007 and is responsible for the financial management and secretarial affairs of our Group. Mr. Wong holds a Bachelor of Commerce degree from the University of Western Australia. He is a Fellow of the Hong Kong Institute of Certified Public Accountants, a Fellow of the CPA Australia and a Fellow of the Institute of Singapore Chartered Accountants. He has over 20 years of experience in auditing, accounting, and financial management as well as secretarial affairs. Prior to joining our Group, he worked with Hong Kong listed companies, multinational corporations and international accounting firms.

Group Structure

KARIN TECHNOLOGY HOLDINGS LIMITED

HKG

KARIN ELECTRONIC SUPPLIES CO. LTD.

NEW SPIRIT TECHNOLOGY LTD.

SEN SPIRIT TECHNOLOGY LTD.

KEPRO SOLUTIONS LTD.

COMPUCON COMPUTERS LTD.

KARGA SOLUTIONS LTD.

KARIN SOLUTIONS AND SERVICES LTD. (was formerly known as MEET SOLUTIONS LTD.)

KCF A STORE LTD.

KAGILE SOLUTIONS LIMITED

SGP

I M I KABEL & Engineering PTE. LTD.

KARSING PTE. LTD.

CHI

KARIN INTERNATIONAL TRADING (SHANGHAI) CO. LTD.
- SHANGHAI
- QINGDAO
- XIAN

KARIN ELECTRONIC TRADING (SHENZHEN) CO. LTD.
- SHENZHEN
- BEIJING
- XIAMEN
- CHONGQING
- CHANGSHA
- WUHAN

NEW SPIRIT ELECTRONIC TECHNOLOGY DEVELOPMENT (SHENZHEN) CO. LTD.
- SHENZHEN
- MIANYANG

KARLTEC INFORMATION SYSTEM (SHENZHEN) CO. LTD.
- SHENZHEN

MATRIX POWER TECHNOLOGY (SHENZHEN) CO. LTD.

SHANGHAI COSEL INTERNATIONAL TRADING CO. LTD.

MACAU

KARIN (MACAU) COMPANY LIMITED

KEPRO (MACAU) COMPANY LIMITED

Notable **Events** in **FY2022**

MAR / 2022
Huawei iBus Advertisement

JUN / 2022
SST x QAX

AUG / 2022
Dell Partner

Propex Expo

AUG / 2022
In-Smart Shop Opening

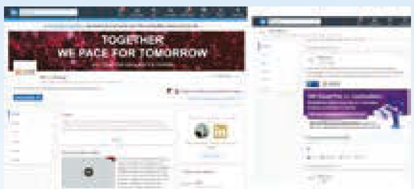
JUN / 2022
Karin Group Opening

FOR MORE INFORMATION, PLEASE SCAN THESE QR CODE.

Karin IT Group Facebook

Compucon Facebook

Karin LinkedIn



Milestones

2022	Karin Group New Head Office Relocation Established business relationship with JiHu GitLab Established business relationship with Legrand AV Established business relationship with Openhive Established business relationship with QI-ANXIN Established business relationship with xFusion Established business relationship with ZStack
2021	Established business relationship with Soul Established business relationship with Infoblox Opening of branch office in Macau
2020	Established Kagile Solutions Limited Established business relationship with Menlo Security. Established business relationship with Cato Networks. Established business relationship with Avaya. Established business relationship with Rancher Labs. Established business relationship with Acunetix. Established business relationship with Gytpol. Established business relationship with Elsys.
2019	Established business relationship with Cloudmed. Established business relationship with Film Players. Established business relationship with NSFOCUS. Established business relationship with Sangfor. Established business relationship with SoftChef. Established business relationship with Talend.
2018	Established business relationship with Algosec. Established business relationship with Alibaba Cloud. Established business relationship with Skyhigh Networks. Established business relationship with Ruckus.
2017	Established business relationship with SNA Company Limited. Established business relationship with Logitech Asia Pacific Limited.
2016	Established business relationship with Jabra. Acquisition of own use property in Singapore. Established business relationship with Rapid7. Established business relationship with Air Button smart device.
2015	Established business relationship with Huawei International Co. Ltd. Established business relationship with Samsung printers. Established business relationship with TYLT.
2014	Established business relationship with CA (Hong Kong) Ltd. Acquisition of own use property in Beijing. Established business relationship with Pericom Semiconductor (HK) Ltd. Established business relationship with Procera Networks, Inc.
2013	Established business relationship with Beats Electronics International Ltd. In-Smart – 3rd Sham Shui Po Store was set up.

2012

In-Smart – 2nd Sham Shui Po Store was set up.
Established business relationship with Fuji Xerox Printers Hong Kong.
Karin Electronic Trading (Shenzhen) Co. Ltd. – Chongqing liaison point was set up.
Karin Electronic Trading (Shenzhen) Co. Ltd. – Changsha liaison point was set up.
Karin International Trading (Shanghai) Co. Ltd. – Xian liaison point was set up.
In-Smart – Tsim Sha Tsui Store was set up.
Acquired the one remaining floor of Karin Building.
Established business relationship with Commvault systems (Hong Kong) Ltd.

2011

In-Smart – Sham Shui Po Store was set up.
In-Smart – Causeway Bay Store was set up.
In-Smart – Prince Edward Store was set up.
Subsidiary KCF A Store Ltd. (trading as In-Smart) was formed.
Associate Company Shanghai Cosel International Trading Co. Ltd. was formed.
Established business relationship with SAP Hong Kong Company Limited.
Established business relationship with Arista Networks Limited.
Established business relationship with Motorola Technology SDN BHD.
Subsidiary Company Matrix Power Technology (Shenzhen) Co. Ltd. was formed.
Acquisition of own use property in Shanghai.
Karltec Information System (Shenzhen) Co. Ltd. – Guangzhou Representative Office was set up.

2010

Established business relationship with Imation Hong Kong Limited.
Established business relationship with Tectia Limited.
Established business relationship with McAfee Ireland Limited.
Established business relationship with UFIDA (Hong Kong) Co. Ltd.
Established business relationship with TippingPoint Technologies, Inc.
Established business relationship with Blue Coat Systems International SARL.

2009

Accredited ISO9001:2008 certificate.
Established business relationship with Brocade Communications Systems, Inc.
Established business relationship with Check Point Software Technologies Limited.
Established business relationship with F5 Networks Hong Kong Limited.
Subsidiary company Karga Solutions was formed.
Acquisition of own use property in Shenzhen.

2008

Established business relationship with IBM Singapore Pte Limited.
Established business relationship with Lexmark International (China) Limited.
Subsidiary company Gamatech Ltd. was disposed.

2007

Established business relationship with Conwise Technology Corporation Ltd.
Established business relationship with Fujitsu Hong Kong Limited.
Established business relationship with Immense Advance Technology Corp.
Established business relationship with Nan Ya Plastics Corporation (LCD Unit).
Established business relationship with Samsung Electronics H.K. Co. Ltd.
Established business relationship with Victor Century International Limited.
Opened Karin Solution Centre.
Subsidiary company Karfid Technology Ltd. was formed.
Acquisition of a subsidiary I M I Kabel Pte Ltd.

2006

Established business relationship with Quantum Corporation.
Established business relationship with 3i Infotech Pte Limited.
Established business relationship with Fortinet International Inc.
Established business relationship with Kashya Ltd.
Established business relationship with Oracle Systems Hong Kong Ltd.
Established business relationship with Hannspree Hong Kong Ltd.
Karin International Trading (Shanghai) Co. Ltd. – Qingdao liaison point was set up.
Subsidiary company Karltec Information System (Shenzhen) Co. Ltd. was formed.
Karin Electronic Trading (Shenzhen) Co. Ltd. – Xiamen Representative Office was set up.

MILESTONES

2005	Established business relationship with Advanced Digital Information Corporation. Established business relationship with Computer Associates International Ltd. Subsidiary company Gamatech Ltd. was formed. Karin Technology Holdings Limited listed on the SGX Mainboard.
2004	Established business relationship with Apple Computers International Ltd. IT Support & Service Sales Division was established. Karin Electronic Trading (Shenzhen) Co. Ltd. – Beijing Representative Office was set up.
2003	Accredited ISO9001:2000 certificate. Established business relationship with BEA Systems HK Ltd. Established business relationship with EMC Computer Systems (FE) Ltd. Established business relationship with Nokia (H.K.) Ltd. Established business relationship with Dragonchip Ltd. Opened Sun iForce Low-Cost Computing Solution Centre.
2002	Established business relationship with Cheertek Inc. Established business relationship with Hewlett-Packard HK SAR Ltd. Established business relationship with Sun Microsystems of California Ltd. Established business relationship with Tenx Technology Inc. Opened Compucon Audio-Visual Product Center. New Spirit Technology Development (Shenzhen) Co. Ltd. – Hangzhou Representative Office was set up.
2001	Established business relationship with Borderware Technologies Inc. Subsidiary company Compucon Computers Ltd. was formed. Subsidiary company Karin Electronic Trading (Shenzhen) Co. Ltd. was formed. Subsidiary company Kepro Solutions Ltd. was formed. Subsidiary company New Spirit Electronic Technology Development (Shenzhen) Co. Ltd. was formed. Subsidiary company Sen Spirit Technology Ltd. was formed.
2000	Subsidiary company Karin International Trading (Shanghai) Co. Ltd. Subsidiary company New Spirit Technology Limited was formed.
1998	Established business relationship with Phoenix Contact Gmbh & Co. KG.
1996	Accredited BSI certificate. Established business relationship with Compaq Computers Ltd. Established business relationship with Hirose Electric Co. Ltd.
1994	Accredited ISO9002:1994 certificate.
1989	Established business relationship with IXYS Corporation.
1988	Established business relationship with Winbond Electronic Corp.
1987	Established business relationship with Helukabel Singapore Pte. Ltd.
1985	Industrial Material & Instrumental Marketing Group was established.
1984	Computer Products Marketing Group was established.
1982	Established business relationship with Shindengen Electric Manufacturing Co. Ltd.
1981	Headquarters moved into Karin Building at Kwun Tong. China Trade Sales Division was established.
1977	Established business relationship with Daishinku Corp. Electronic Components Marketing Group was established. Karin Electronic Supplies Co. Ltd. was established in Hong Kong.

Corporate Information

BOARD OF DIRECTORS

Ng Kin Wing, Raymond (Executive Chairman)
Ng Mun Kit, Michael (Chief Executive Officer)
Ng Yuk Wing, Philip (Chairman Emeritus)
Lawrence Kwan (Lead Independent Director)
Lim Yew Kong, John (Independent Director)
Kuan Cheng Tuck (Independent Director)

JOINT COMPANY SECRETARIES

Wong Chi Cheung, Clarence
Chan Lai Yin

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Tel: (1441) 295 1422
Fax: (1441) 292 4720

BERMUDA COMPANY REGISTRATION NUMBER

32514

PRINCIPAL OFFICE

9th Floor, The Whitney
183 Wai Yip Street
Kwun Tong
Kowloon
Hong Kong

BERMUDA SHARE REGISTRAR AND SHARE TRANSFER AGENT

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

LEGAL ADVISORS

Morgan Lewis Stamford LLC
Grandall Zimmern Law Firm

REGISTRAR FOR THE SINGAPORE SHARE TRANSFER AGENT

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #20-00
Singapore 068898

AUDITOR

Ernst & Young
Certified Public Accountants
27th Floor, One Taikoo Place
979 King's Road, Quarry Bay, Hong Kong
(Partner-in-charge: Chung Chi Ming
Appointment date: since financial year ended
30 June 2018)

INVESTOR RELATIONS

August Consulting Pte. Ltd.
101 Thomson Road #29-05
United Square
Singapore 307591
Email: wrisneytan@august.com.sg

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
10th Floor, HSBC Main Building
1 Queen's Road
Central, Hong Kong

Standard Chartered Bank (HK) Limited
13th Floor, Standard Chartered Bank Building
4-4A Des Voeux Road
Central, Hong Kong

Shanghai Commercial Bank Limited
57-61 Hong Ning Road
Kwun Tong
Kowloon, Hong Kong

OUR WEBSITE

http://www.karingroup.com

Report on Corporate Governance

Corporate Governance is central to Karin Technology Holdings Limited's (the "**Company**" or the "**Group**") approach to the enhancement of shareholder value and the protection of shareholders' funds. The Directors and Management of the Company are committed to maintaining a high standard of corporate governance practices and transparency.

The Board has reviewed the Company's corporate governance policies and practices and is pleased to confirm that for the financial year ended 30 June 2022 ("**FY2022**"), the Group has adhered to the principles and provisions as set out in the Code of Corporate Governance 2018 (the "**2018 Code**"), except where otherwise stated, the Company will explain how its practices are consistent with the intent of the relevant principles of the 2018 Code. This report outlines the corporate governance practices adopted by the Group, embodying the principles of the 2018 Code. The Board will continue to improve with developments by enhancing its principles and framework.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Group.

Provision 1.1 – Principal functions of the Board

The Company is governed by a board of directors ("**Board**") each of whom is re-elected by the Company's shareholders. The Board is accountable to shareholders for the strategic direction of the Company and value-creation for shareholders. The Board works closely with management who optimizes operational efficiency and seeks to achieve this objective for the long-term success of the Company. Management is accountable to the Board. All Directors objectively make decisions in the interests of the Company.

Separately, the Board has put in place a code of conduct and ethics for the Board of Directors as a means to guide Directors on the areas of ethical risk, and help nurture an environment where integrity and accountability are keys. Directors who face conflicts of interest are to disclose their interests and voluntarily recuse themselves from discussions and decisions involving the issues of conflict. All Directors are obliged to act in good faith and act in the best interests of the Company, to exercise due diligence and objectively discharge their duties and responsibilities at all times in their decisions concerning the Group's businesses.

The principal roles of the Board include, but not limited to, the following corporate matters:–

- Provide entrepreneurial leadership, set strategic objectives and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

- Establish a framework of prudent and effective controls which enables risks to be assessed and managed;

- Review management performance;

REPORT ON CORPORATE GOVERNANCE

- Set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;

- Safeguarding of shareholders' interests and the Company's assets and identify key stakeholder groups whose perceptions may affect the Company's reputation; and

- Consider sustainability issues as part of its strategic formulation.

Provision 1.2 – Directors' orientation and training

The Board has adopted the Board Terms of Reference which sets out the principal roles of the Board including Independent Directors, responsibilities and power of the Board and various Board Committees of the Company as well as division of responsibilities between Executive Chairman and Chief Executive Officer ("**CEO**"). The duties and responsibilities of the executive directors are clearly set out in their service agreements. Roles of the Executive Chairman, CEO and Chairman Emeritus are defined for each to effectively discharge his duties. Non-executive and Independent Directors provide independent and objective check on Management.

The Board is responsible for the training needs of the Company's Directors. The Board Terms of Reference describes the director orientation and continuing education for existing directors. New director is provided a formal letter setting out the director's duties and obligations. The Company makes available to each new Director an opportunity to discuss and obtain briefing on the Company's operations to ensure that he is familiar with the Company's business and governance practices and inform each new Director of the Company's policies which affect Directors. The Directors were updated on major events of the Group by the Management. The Directors were briefed and updated on the business and organization structure of the Group and its strategic plans and objectives from time to time. The Directors were provided sufficient information about macro perspectives on developments on the region, major long-term trends and strategic alternatives available to the Company.

The Board recognizes the importance of appropriate orientation, training and continuing education for its Directors. The Company provides training to Directors annually on changes to the relevant new laws, regulations and changing commercial risks. During FY2022, one training session was provided to Directors by the Company's legal advisor and external auditor. The Directors were furnished with updates on the relevant laws such as changes to the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and new International Financial Reporting Standards ("IFRSs"). During the year, all directors undergone training on sustainability matters conducted by the Singapore Institute of Directors as prescribed by the SGX-ST. The Company makes available to the Directors, at the Company's cost, training or professionally conducted programmes regarding director responsibilities, changes to the relevant new laws and other matters related to service on the Board.

Provision 1.3 – Matters requiring Board's approval

The Board decides matters requiring approval with a list of matters set out and communicated to the Management. Among the matters requiring Board approval are those related to financial statements, share capital, banking, acquisition and realization, agreements, remuneration, Board changes and reconstitution of Board Committees.

Provision 1.4 – Delegation by the Board

To facilitate effective execution of its function, the Board has delegated specific responsibilities to three subcommittees namely the Audit and Risk Management, Nominating and Remuneration Committees. These Committees are to assist the Board in exercising its responsibilities and to provide it with recommendations and advice. Each of the committees has its own terms of reference setting out its role and has the authority to examine particular issue and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters lies with the entire Board.

REPORT ON CORPORATE GOVERNANCE

Provision 1.5 – Board meetings, attendance and multiple commitments

The Board will meet at least twice a year. Ad-hoc meetings are convened when circumstances require. Minutes of all Board Committees and Board meetings are circulated to members for review and confirmation. These minutes enable Directors to be kept abreast of matters discussed at such meetings. The number of the Board and the Board Committees meetings held and the attendance of each Director during FY2022 are set out as follows:

ATTENDANCE OF MEMBERS AT MEETINGS OF THE BOARD AND THE BOARD COMMITTEES

HELD DURING FY2022

	Board		Audit and Risk Management committee		Nominating committee		Remuneration committee	
Name of director	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended
Mr. Ng Kin Wing, Raymond (Executive Director/Executive Chairman)	4	3	–	–	–	–	–	–
Mr. Ng Mun Kit, Michael (Executive Director/CEO)	4	4	–	–	–	–	–	–
Mr. Ng Yuk Wing, Philip (Executive Director/Chairman Emeritus)	4	4	–	–	–	–	–	–
Mr. Lim Yew Kong, John (Independent Director)	4	4	3	3	2	2	2	2
Mr. Lawrence Kwan (Lead Independent Director)	4	4	3	3	2	2	2	2
Mr. Kuan Cheng Tuck (Independent Director)	4	4	3	3	2	2	2	2

Under the existing Bye-laws of the Company, the Directors may participate in any meeting of the Board by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting. All meetings during FY2022 were held by electronic means.

Provision 1.6 – Access to information

The Board is furnished with Board papers prior to any Board meeting. These papers include key information that is complete, adequate and issued in sufficient time to enable the Directors to obtain additional information or explanations from the Management and allows decision making. Management provides all members of the Board with a balanced and understandable key financial data with such information and explanation on a quarterly basis. Furthermore, the Management has been providing all the Executive Directors with monthly consolidated financial reports. The Board papers include minutes of the previous meeting, financial results announcements, and reports from Management, internal and external auditors. Each director reviews all materials provided by the Company relating to matters to be considered at the meetings. Directors are provided with additional information from Management, upon their request. Management provides information in a timely manner to allow Directors to make informed decisions. Summary of financial data would be provided by Management to the Board on quarterly basis.

A calendar of meetings is scheduled for the Board a year in advance. At each Board meeting, Independent Directors are briefed on the Company's business including risk issues and financial environment and they are also updated on the issues discussed at the monthly management meeting. These information will enable the directors to actively participate in discussions and make informed decisions. Directors with multiple board representations have attended all meetings and devoted sufficient time and attention to the Company's affairs.

Provision 1.7 – Access to Management, Company Secretary and External Advisers

The Directors have separate and independent access and they may communicate directly with the Management team and Company Secretaries on all matters whenever they deem necessary.

In carrying out their duties, the Directors, whether individually or as a group, have direct access to the independent professional advisors to obtain advice. Any cost of obtaining such professional advice will be borne by the Company.

The Company Secretaries administer, attend and prepare minutes of Board and Board Committee meetings. The Chairman of all Board and Board Committees will be assisted by the Company Secretaries in ensuring that procedures are followed and reviewed so that the Board and Board Committees function effectively and ensures that the Company's Bye-Laws and relevant rules and regulations, including the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") are complied with. During FY2022, the Company Secretaries attended all Board and Board Committee meetings. The Company Secretaries also act as the primary channel of communication between the Company and the SGX-ST. The appointment and removal of the Company Secretaries are subject to the Board's approval.

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Provision 2.1 – Board Independence

Provision 2.2 – Majority Independent Directors where Chairman is not independent

Provision 2.3 – Majority Non-Executive Directors in a Board

As at the date of this report, the Board comprises six Directors, three of whom are independent. Although Non-Executive and Independent Directors did not make up a majority of the Board, where the Chairman is not independent, the Board has diversity of thought and background in its composition with Independent Directors exercising oversight function and leading discussions to form decisions in the best interests of the Company. The Board believes the current Board composition drives performance, create shareholder value and maintain a proper tone at the top. Executive Directors, who formed half of the Board, are working to protect and enhance the best interests of shareholders with returns or benefits for shareholders while Independent Directors with diversity of skills set ensures diversity in decision-making and enable the formation of Board Committees. The Board was not aware of any difficulty in reaching consensus and making timely decisions with Independent Directors make up half of the Board where the Chairman is not independent. The continued services of current size of the Board are crucial and critical as its valuable experience and expertise contribute to the Group's decision-making process. The current Board composition have contributed significantly in terms of experience, expertise, professionalism, integrity, objectivity and independent judgment in engaging and challenging Management to the best interests of the Group as it performs its duties in good faith, which by means are more prudent measures than ascertaining majority non-executive and independence of the Board size. Given the dynamic business nature of the Group which constantly render uncertain situations and new external challenges, preserving the Board would avoid undue disruption and help to maintain knowledge and continuity in the Board. It is therefore more important to harness the relevant expertise of the Executive Directors to tide through this period as opposed to reconstituting the Board to comply with the 2018 Code. Key information of the Board is found under the Board of Directors section of the Annual Report.

REPORT ON CORPORATE GOVERNANCE

The Nominating Committee ("**NC**") adopts the 2018 Code definition of what constitutes an Independent Director in its review. An independent director is one who is independent in conduct, character and able to exercise independent business judgement in the best interests of the Company and has no relationships with the Company, related corporations, its substantial shareholders or its officers management and/or companies within the Groups. The Board is able to exercise independent judgement on corporate affairs and provide management with a diverse and objective perspective on issues. Among the items the NC considers while reviewing the independence are:–

1. Whether a director, or a director whose immediate family member, in the current or immediate past financial year, provided to or received from the company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services), other than compensation for board service. Payments aggregated over any financial year in excess of S$50,000 should generally be deemed significant.

2. Whether a director, or a director whose immediate family member, in the current or immediate past financial year, is or was, a substantial shareholder or a partner in (with 5% or more stake), or an executive officer of, or a director of, any organisation which provided to or received from the company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services). Payments aggregated over any financial year in excess of S$200,000 should generally be deemed significant irrespective of whether they constitute a significant portion of the revenue of the organisation in question.

3. Whether a director is or has been directly associated with a substantial shareholder of the Company, in the current or immediate past financial year.

The Board also reviewed independence of Directors based on Rule 210(5)(d) of the Listing Manual which sets out the specific circumstances in which a director should be deemed non-independent. These circumstances include:

(a) a director who is being employed by the Company or any of its related corporations for the current or any of the past three financial years;

(b) a director who has an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations and whose remuneration is determined by the Remuneration Committee ("**RC**");

(c) With effect from 1 January 2022, a Director who has been a director for an aggregate period of more than 9 years (whether before or after listing) and whose continued appointment as an Independent Director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) all shareholders, excluding shareholders who also serve as the directors or the chief executive officer of the company, and associates of such directors and chief executive officers (the "**Two-Tier Voting**").

The NC reviewed the declaration of independence of each director and was satisfied that all Independent Directors were considered independent for the purpose of Provision 2.1 of the 2018 Code and Rule 210(5)(d) of the Listing Manual. The Independent Directors do not have any relationship with the Company, related corporations, its substantial shareholders or officers. The Independent Directors are not employees of any company within the Group. The continued appointment as Independent Directors by Two-Tier Voting was approved at the last Annual General Meeting ("**AGM**") held on 28 October 2021. Mr. Lim Yew Kong, John and Mr. Lawrence Kwan continued as Independent Directors of the Company until the earlier of the following (i) the retirement or resignation as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

Provision 2.4 – Board composition and diversity

The Board comprises six (6) Directors as follows:

Ng Kin Wing, Raymond	–	Executive Director/Executive Chairman
Ng Mun Kit, Michael	–	Executive Director/Chief Executive Officer
Ng Yuk Wing, Philip	–	Executive Director/Chairman Emeritus
Lim Yew Kong, John	–	Non-Executive Director and Independent
Lawrence Kwan	–	Non-Executive Director and Independent
Kuan Cheng Tuck	–	Non-Executive Director and Independent

The Board has adopted a Board Diversity Policy which recognizes diversity as essential in providing better support to the Group to achieve its strategic objectives for long term sustainable development. A diverse Board will enhance the decision-making process of the Board through perspectives derived from various skills, industry and business experiences, gender, age, tenure of services and other distinctive qualities of the Directors. The Board is able to exercise independent judgement on corporate affairs and provide Management with a diverse and objective perspective on issues. Each Board member brings independent judgement, diversified skills, knowledge and experience when dealing with issues of strategy, performance and standards of conduct. They also provide core competencies of legal, accounting, finance, engineering, business and management experience, industry knowledge, strategic planning experience, and customer-based experience or knowledge with their pattern-recognition skills. This is beneficial to the Company and Management as decisions by the Board would be enriched by a broad range of views, perspectives and experiences of the Directors. The Board is of the view that an effective blend of skills, experiences and knowledge in areas identified by the Board should remain a priority and it is imperative to construct a quality board based on caliber, breadth of perspective and chemistry that allow effective execution of corporate governance and strategic oversight. The Company is aware of the coming of the Great Age comprises new horizon of the clean energy and digital economy. It is necessary to have diversity of age as the Company embraces the Great Age. With the presence of the executive director and CEO, Mr. Ng Mun Kit, Michael who belongs to the Generation X, the Board received different skills set and perspectives for the Internet of Things (IoT) business on smart city concept launched across all 3 segments. The Board recognizes the relationship and information flow between the Board and Senior Management is pivotal to the Company. The Board is supported by Senior Management, of whom at least a quarter are women team members who have been with the Company for over 20 years. The Company values the contribution by each member of the Senior Management. The Board will constantly examine its size with a view of determining its impact on its effectiveness. Qualifications and experiences of the Board members and Senior Management are set out under the Board of Directors and Senior Management sections of the Annual Report. The Board and NC would consider which aspect of diversity to focus on in FY2023. The NC and the Board will also consider the benefits of all aspects of diversity, including diversity of background, experience, gender, age and other relevant factors, as and when appropriate.

Provision 2.5 – Meeting of Non-Executive Directors and/or Independent Directors without Management

The primary role of the Independent Director is to act as a check and balance on the acts of the Board and Management of the Company. In summary, the Independent Director is to promote the best interests of minority shareholders and as a whole, promote the interests of all shareholders. Independent Directors review and monitor the performance of the Management of the Company. To facilitate a more effective check on management performance, Independent Directors meet regularly, at least twice annually, without management present.

REPORT ON CORPORATE GOVERNANCE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

PRINCIPLE 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1 – Separation of the role of the Chairman and the CEO

Provision 3.2 – Role of the Chairman and the CEO

There is a clear division of responsibilities between the Executive Chairman and Chief Executive Officer ("**CEO**") in the Board Terms of Reference which ensures there is a balance of power and accountability, such that no one individual represents a considerable concentration of power.

The Executive Chairman and CEO of the Company is Mr. Ng Kin Wing, Raymond ("**Mr. Raymond Ng**") and Mr. Ng Mun Kit, Michael ("**Mr. Michael Ng**") respectively. Mr. Raymond Ng is a brother of Mr. Ng Yuk Wing Philip ("**Mr. Philip Ng**") and uncle of Mr. Michael Ng. Mr. Raymond Ng is one of the founders of the Group and has over 40 years of experience in the components distribution business.

As Executive Chairman, Mr. Raymond Ng is responsible for the effective working of the Board. The Executive Chairman's responsibilities include, but not limited to:

- effective working of the Board;
- schedule meetings to enable the Board to perform its duties and responsibilities;
- prepare the agenda of meetings;
- ensure proper conduct of meetings and accurate documentation of the proceedings;
- encourage constructive relations within the Board and between the Board and Management;
- ensure smooth and timely flow of information between the Board and Management;
- ensuring effective communication with shareholders;
- promote a culture of openness and debate at the Board; and
- promote high standards of corporate governance.

In addition to the above duties, the Executive Chairman will assume duties and responsibilities as may be required from time to time.

Mr. Michael Ng manages the business operations and affairs of the Group and day-to-day management of the Company, organizational effectiveness and implementation of strategies and objectives with the Board's approval. Mr. Michael Ng works closely with the other Executive Directors and assisted by a team of Senior Management.

Provision 3.3 – Lead Independent Director

The Board has written terms of reference for the Lead Independent Director ("**LID**") that describes the responsibilities and authority of a LID. Mr. Kuan Cheng Tuck will replace Mr. Lawrence Kwan as LID after the forthcoming AGM. The LID shall be available to the shareholders where they have concerns which contact through the normal channels of the Executive Chairman, CEO or Management has failed to resolve or for which such contact is inappropriate or inadequate.

The Independent Directors, led by the LID, meet amongst themselves without the presence of the other Directors where necessary, and the LID will provide any feedback to the Executive Chairman after such meetings.

REPORT ON CORPORATE GOVERNANCE

BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and reappointment of Directors, taking into account the need for progressive renewal of the Board.

Provision 4.1 and 4.2 – Roles and composition of the NC

The NC comprises three members, all are independent directors. The Lead Independent Director is Chairman of the NC. Members of the NC are as follow:

Mr. Lawrence Kwan	–	Chairman
Mr. Lim Yew Kong, John	–	Member
Mr. Kuan Cheng Tuck	–	Member

The NC has written terms of reference and is responsible for:

- Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the board and make recommendation to the Board with regard to any changes;
- Identify candidates and review all nominations for the appointment of directors, CEO or Board Committees;
- recommending to the Board on all Board appointments having regard to the Directors' contribution and performance;
- recommending to the Board for review and discussion on board succession plans, in particular of the Chairman and CEO and recommend to the Board;
- review training and professional development programs for the Board;
- reviewing and determining the independence of each Director annually and also considers the continued independence of any Directors reaching 9 years from date of appointment;
- deciding whether or not a Director is able and has been adequately carrying out his duties as a Director in particular a Director who has multiple Board representations; and
- Review the results on board performance evaluation process and decide on how the Board's performance may be evaluated and propose objective performance.

The NC reviewed annually the independence of each Director according to the criteria described in Principle 2 of this Report on Corporate Governance. No NC member is involved in the deliberation in respect of his independence. On an annual basis, each director is required to submit a return on his independence to the Company Secretary. The NC shall review the returns and determine whether the director is to be considered independent. During the year, the NC had reviewed and determined (with the director concerned abstained) that Mr. Lim Yew Kong, John, Mr. Lawrence Kwan and Mr. Kuan Cheng Tuck are Independent Directors of the Company.

The NC recommended and the Board approved the Board succession plan separating the role of the Chairman and CEO for better governance structure and strategic plan for next stage growth. Mr. Michael Ng took on the role as CEO and Mr. Raymond Ng remain as Executive Chairman of the Board.

REPORT ON CORPORATE GOVERNANCE

Provision 4.3 – Board Renewal

The NC has a process for the appointment of new Directors whereby the NC first evaluates the skill set of the existing Directors (other than those who are retiring) to identify any gap in the skills and expertise of the remaining Directors. Where new appointment is required, the NC will consider recommendations for new Directors, review their qualifications and meet with such candidates, before a decision is made on a selection. The NC considered the requirements of the Board and the need of progressive renewal of the Board. In view of the foregoing, the Board is of the view that there is an adequate process for the appointment of new Directors. The criteria for identifying candidates and reviewing nominations for appointment include age and gender diversity. When sourcing for, and assessing potential candidates, the NC will consider the candidate's track record, age, experience, and capabilities.

The Board also considered the need for progressive refreshing of the Board. The Board agreed that the progressive refreshing of the Board should come around the concept of performance management within a culture that demands accountability of directors and future needs of the Board for long-term success of the Company.

Provision 4.4: Independence review of Directors

In accordance with the provisions of the Company's Bye-Laws, each Director shall retire at least once every 3 years. Any Director appointed by the Board shall retire at the next annual general meeting of the Company. A retiring director shall be eligible for re-election at the said AGM. Mr. Kuan Cheng Tuck is due for retirement pursuant to the provision of Bye-law 85(6) and Mr. Ng Kin Wing, Raymond is due for retirement pursuant to the provision of Bye-law 86(1) at the forthcoming AGM. Mr. Kuan Cheng Tuck and Mr. Ng Kin Wing, Raymond had confirmed seeking re-election at the forthcoming AGM. The NC, having assessed the performance and contribution to the Board and the Company, has recommended the re-election of Mr. Kuan Cheng Tuck and Mr. Ng Kin Wing, Raymond as Directors of the Company at the forthcoming AGM.

With effect from 1 January 2022, a director will not be independent if he has served for an aggregate of more than 9 years and his continued appointment as an independent director has to be sought and approved in separate resolutions by (a) all shareholders and (b) shareholders, excluding the directors and chief executive officer of the issuer, and associates of such directors and chief executive officer (the "**Two-Tier Voting**"). Mr. Lim Yew Kong, John and Mr. Lawrence Kwan respectively have served on the Board for more than 9 years from date of appointment. The shareholders had, at the AGM held on 28 October 2021, approved by Two-Tier Voting their continued appointment as Independent Directors of the Company. Accordingly, Mr. Lim Yew Kong, John and Mr. Lawrence Kwan respectively remains Independent Directors of the Company until the conclusion of the annual general meeting which shall be held in 2024 or upon their retirement or resignation as director, whichever the earlier.

In reviewing the continued appointment, the Board was cognizant of the Board's effectiveness and the Company's success is build upon the relative stability of the Board's composition over the years. Longer-serving Board members amass valuable knowledge of the Group's businesses and are able to provide strategic direction and oversee management's performance in the medium to long-term.

REPORT ON CORPORATE GOVERNANCE

Notwithstanding the approval to the continued appointment as Independent Directors obtained by Two-Tier Voting, the Nominating Committee and the Board continue to conduct rigorous evaluation of independence of directors who have served beyond nine years from the date of appointment. All directors except Mr. Lim Yew Kong, John and Mr. Lawrence Kwan has conducted rigorous review via completing a form by each of them to review the suitability of Mr. Lim Yew Kong, John and Mr. Lawrence Kwan being independent directors whose have served beyond 9 years from date of first appointment. The NC and the Board (with the directors concerned abstained from deliberating) agreed that each Mr. Lim Yew Kong, John and Mr. Lawrence Kwan had expressed his views independently at all times, objectively and constructively challenged the assumptions and viewpoints presented by the Management. Robust involvement in deliberations at Boardroom by each Mr. John Lim and Mr. Lawrence Kwan provides different perspectives. The Nominating Committee and the Board (in both cases, with Mr. John Lim and Mr. Lawrence Kwan abstained) have determined that Mr. John Lim and Mr. Lawrence Kwan remains independent in character and judgement, the length of service on the Board neither interferes with objectivity nor ability to act in the best interests of the Company. Each of Mr. John Lim and Mr. Lawrence Kwan continues to actively participate in and contribute to Board and Board Committees deliberations. In addition, their proven commitment, experience and competence as well as detailed knowledge of the Company's business helps to provide effective oversight of management. The Company continues to benefit from their experience and knowledge, and each Mr. John Lim and Mr. Lawrence Kwan continues to fulfil the definition of an independent director in the listing rules of the SGX-ST and the Code of Corporate Governance.

Provision 4.5 – Duties and obligations of Directors

The Board has annually examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. As a team, the Board collectively provides core competencies in the areas of legal, finance, business, electronic engineering, business acumen and management experience. The Board is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The Board allows each of the Directors to personally determine the time commitment when he has multiple board representation. Each of the non-executive directors is aware that he should commit sufficient time, attention, resources and expertise to the affairs of the Company. The Board has not determined the maximum number of listed company board representations which any director may hold. Although the non-executive directors had directorships in other companies which are not within the Group, the NC is of the view that such multiple board representation do not hinder them from carrying out their duties as directors. These Directors would widen the experience of the Board and give it a broader perspective. Directors update the Company of any changes in their external appointment and these changes are noted at the Board meetings. The NC reviews whether a director is able to and has adequately carried out his duties, in particular where a director has multiple board representations. The NC is satisfied that each of the Directors was able to give sufficient time and attention to the affairs of the Company and was able to adequately carry out his duties as a director of the Company despite their board representations in other listed companies.

With half of the Board deemed to be independent, the Board is able to exercise independent judgment on corporate affairs and provide management with diverse and objective perspective on issues. The Board interacts and works through robust exchange of ideas and views to help shape the Group's strategic decision.

The Board is of the view that the current Board and its Board Committees consists of the appropriate mix of expertise, skills and experience with knowledge of the Company to provide the necessary guidance to lead and direct the Group. The effective blend of these expertise, skills and experiences in areas identified by the Board remains a priority.

Presently, the Company does not have alternate director.

REPORT ON CORPORATE GOVERNANCE

Particulars of Directors as at 30 June 2022

Name of director	Date of first appointment	Date of last re-election	Nature of appointment	Membership of Board committees	Directorship/ chairmanship of both present and those held over the preceding three years in other listed company
Mr. Ng Kin Wing, Raymond (Executive Director/Executive Chairman)	05.09.2002	24.10.2019	Executive Chairman and Executive Director	None	None
Mr. Ng Mun Kit, Michael (Executive Director/Chief Executive Officer)	01.07.2018	28.10.2021	Chief Executive Officer and Executive Director	None	None
Mr. Ng Yuk Wing, Philip (Executive Director/Chairman Emeritus) (Resigned on 1 July 2018 and re-appointed on 1 April 2021)	26.01.2003	28.10.2021	Chairman Emeritus and Executive Director	None	None
Mr. Lim Yew Kong, John (Independent Director)	20.01.2005	28.10.2021	Independent Director	Chairman of Remuneration Committee and a Member of Audit and Risk Management Committee and Nominating Committee	Global Invacom Group Limited (SGX) Zico Holdings Inc. (SGX)
Mr. Lawrence Kwan (Lead Independent Director)	13.07.2012	28.10.2021	Independent Director	Chairman of Nominating Committee and a Member of Audit and Risk Management Committee and Remuneration Committee	SBI Offshore Ltd (in liquidation) (SGX)
Mr. Kuan Cheng Tuck (Independent Director)	23.10.2020	N/A	Independent Director	Chairman of Audit and Risk Management Committee and a Member of, Remuneration Committee and Nominating Committee	Present Directorships 1) CNMC Goldmine Holdings Limited 2) Kori Holdings Limited Past Directorships (over the preceding three years) Green Build Technology Limited

REPORT ON CORPORATE GOVERNANCE

BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual Directors.

Provisions 5.1 and 5.2 – Board Evaluation Process

The NC has adopted a formal process and assessed the effectiveness of the Board as a whole and its Board Committees and each individual director and Chairman to the effectiveness of the Board for FY2022. The performance criteria remained the same as last year. During FY2022, the Board had reviewed the performance criteria which includes evaluation on matters relating to risk management. Some of the factors considered relate to Board's conduct of affairs, Board information on provision of sufficient information for major long-term trends and strategic alternatives and accountability to effectively identify, assess and respond to significant risks. The Group has conducted Board-approved evaluation process and performance criteria for such evaluation and determination.

The objective of the performance evaluation exercise is to identify strengths and challenges so that the Board is in better position to provide the required expertise and oversight. Meanwhile, the objective of assessment by each individual director is for directors to evaluate their skills and motivate directors to be more effective contributors.

The assessment process involves and includes circulation of the evaluation of questionnaire to all Board members with the performance criteria recommended by the NC and approved by the Board. The Directors' input was collated and reviewed by the Chairman of the NC, who presents a summary of the overall assessment to the NC for review. The NC would discuss areas where the Board's performance and effectiveness could be enhanced and recommendations for improvement are then submitted to the Board for discussion and for implementation. The NC Chairman presented the key summary of the overall assessment. The Directors discussed on the strategic planning process, business objectives and risk management while the Management, represented by the Executive Directors, provides insight on the business and industry with the objective of finding opportunities for improvement and enhancing long-term shareholder value. The NC provides its views to the Board for the Board's consideration. The Chairman ensures that action is taken on the results of the performance evaluation.

During the year, the Board's performance was evaluated. The Board concluded that the performance of the Board as a whole has been satisfactory and the Board and various Board Committees operate effectively with each Director and the Chairman contributing to the overall effectiveness of the Board.

Summary of NC activities in FY2022:

- reviewed structure, size and composition of the Board and Board Committees;
- considered recommendations for new Director, review their qualifications and meet with such candidates, before a decision is made;
- reviewed independence of Directors;
- reviewed and initiate process for evaluating Board, Board Committee, Chairman and individual Directors performance;
- reviewed results of performance evaluation and feedback to the Chairman and Board Committees;
- reviewed the need to progressive refreshing of the Board;
- reviewed succession planning for Chairman, CEO and key executives and notified the Board; and
- discussed information required to be reported under the 2018 Code or Listing Manual.

The Board has not engaged any external consultant to conduct an assessment of the performance of the Board, Board Committees and each individual Director and the Chairman for FY2022. Where relevant, the NC will consider such an engagement.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his or her own remuneration.

Provisions 6.1 and 6.2 – Composition of the RC

The RC comprises three members, all are non-executive and independent directors. They are:

Mr. Lim Yew Kong, John	–	Chairman (redesigned as Chairman on 11 February 2022)
Mr. Lawrence Kwan	–	Member
Mr. Kuan Cheng Tuck	–	Member

The Board has approved the written terms of reference of the RC. The RC performs, but not limited to, the following functions:

- review and recommend to the Board a framework of remuneration for the Board and the key executives of the Group with a view to structure the remuneration for the executive director and key management personnel so as to link rewards to group or corporate and individual performance, to align their interests with those of shareholders and to give these directors incentives to perform at the highest levels;

- review the terms of appointment and remuneration of the executive directors and key Executives of the Company and when deem appropriate, to make any recommendation in relation thereto;

- review and recommend to the Board the terms of renewal for executive directors whose current employment contracts will expire or had expired;

- review the compensation package of the non-executive directors;

- consider long-term incentive schemes for executive directors and key executives and review eligibility for benefits of executive directors and key executives under long-term incentive schemes; and

- consider and recommend to the Board the disclosure of the details of the Company's remuneration, specific remuneration packages of the Directors and key executives of the Company to those required by law or by the 2018 Code.

Provision 6.3 – Remuneration framework

The Directors do not participate in any decision concerning their own remuneration. The RC reviewed and discussed the service agreements of the executive directors.

As part of its review, the RC will ensure that the remuneration package of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities.

REPORT ON CORPORATE GOVERNANCE

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of the Executive Directors and key management personnel. RC will obtain advice from external consultants for benchmarking, where necessary.

The Share Option Scheme Committee, consists of all members of the RC, was established to administer the Karin Employee Share Option Scheme (the "**2005 ESOS**") in accordance with the objectives and regulations of the 2005 ESOS and to determine participation eligibility, options offers and share allocation and to attend to such other matters that may be required. The 2005 ESOS was adopted on 20 January 2005. A member of the RC who is also a participant of the 2005 ESOS shall not be involved in the deliberation of Options granted or to be granted to him. Controlling shareholders and their Associates will not be eligible to participate in the 2005 ESOS.

The 2005 ESOS had a maximum duration of ten years and expired on 20 January 2015. Before the expiring of the 2005 ESOS, the Company had terminated the 2005 ESOS and adopted the 2014 Karin Employee Share Option Scheme ("**2014 ESOS**") in substitution for the 2005 ESOS. The 2014 ESOS was approved by the shareholders on 9 October 2014 at the 2014 AGM.

During FY2022, the Company has not issued any new ordinary shares upon the exercise of options under the 2005 ESOS. No options were granted under the 2014 ESOS during FY2022. There was no share option outstanding as at 30 June 2022 as all share options granted under 2005 ESOS were either exercised or lapsed.

The RC also administers the Karin Performance Share Plan (the "**Share Plan**") in accordance with the Rules of the Share Plan approved by Shareholders on 28 October 2021. The new Share Plan is a new compensation scheme that promotes higher performance goals and recognises exceptional achievement. The Company has taken steps to align itself with and embrace local trends and best practices in compensation. The key objectives of the Share Plan is to help fulfil the Company's primary long-term objective of motivating deserving and person selected to participate in the share plan ("**Participants**") to optimise their performance standards and efficiency and to maintain a high level of performance and contribution. The Share Plan further motivates Participants that the Company regards as integral to the Group to strive for superior performance and to deliver long-term shareholder value, as well as to enhance the Group's overall compensation packages to attract and retain high performing talent. No member of the RC shall be involved in any deliberation of Awards to be granted to him. During FY2022, no treasury shares were awarded to any Participant pursuant to the Share Plan.

The purpose of adopting more than one share plan is to give the Company greater flexibility in aligning the interests of Participants with those of shareholders. It is also intended that the 2014 ESOS and Share Plan will complement each other in the Company's continuing efforts to reward and motivate Participants to achieve superior performance. The 2014 ESOS and Share Plan will further strengthen the Company's competitiveness in attracting and retaining employees, especially employees who have the requisite knowledge, technical skills and experience whom the Company believes could contribute to the development and growth of the Group.

The RC hopes that the implementation of the 2014 ESOS in conjunction with the Share Plan will inculcate in the eligible participants a stronger and more lasting sense of identification with the Group.

On 23 October 2020, shareholders have approved the participation in the Share Plan by the respective controlling shareholder, Mr. Raymond Ng, Mr. Michael Ng and Mr. Philip Ng. The Company is required to seek a specific and separate approval from independent shareholders at a general meeting to approve the specific number of shares and terms of the Share Plan to be granted. The Company did not obtain shareholders' approval at the AGM on 28 October 2021 for the grant of specific number of shares under the Share Plan to Mr. Raymond Ng, Mr. Michael Ng or Mr. Philip Ng.

Mr. Raymond Ng and Mr. Philip Ng have been substantial shareholders of the Company since incorporation. None of the directors or CEO buys and sells shares for the past 3 years.

Provision 6.4 – Remuneration consultant

No external remuneration consultant was appointed in FY2022. If necessary, the RC shall seek expert advice on remuneration of all directors and ensure that any relationship between the appointed consultant and any of its director or company will not affect the independence and objectivity of the remuneration consultant.

LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Provisions 7.1 and 7.3 – Remuneration of Executive Directors and KMPs

The RC recommends to the Board a framework of remuneration for the Directors and key executives, and determines specific remuneration packages for each Executive Director. The recommendations of the RC on the remuneration of Directors would be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be covered by the RC.

The remuneration of the Executive Directors and key executives comprises fixed component, variable component and other benefits.

The fixed component relates to basic salary, statutory contributions and fixed allowances. The variable component comprises profit sharing bonus for the Executive Directors based on the Group's performance, and variable bonus for key executives that is linked to the performance of the Group and individual. Another element of the variable component under the remuneration package is the long-term incentive schemes such as 2014 ESOS and Share Plan, set to ensure that it is competitive and sufficient to attract, retain and motivate directors and key executives of the required experience and expertise to run the Company successfully. Award of long-term incentive schemes is based on the Group's financial health such as profit and loss and growth and qualitative and quantitative assessment of individual performance to ensure the overall assessment of performance and remuneration are aligned with the Company's true performance over a period of time. There are appropriate and meaningful measures for the purpose of assessing the performance of Executive Directors and key executives.

Other benefits are provided, which are consistent with market practice, and include medical benefits, travel allowances, car expenses and other flexible benefits. For staff who are located outside their home market, additional benefits such as cost of living allowances and home leave passages are provided.

The Remuneration Committee is satisfied that performance conditions of the Executive Directors and key executives for the year under review were met.

The service agreement of the Executive Directors is subject to review by the RC. The key terms among others, appointment period, remuneration and renewal term will be reviewed by the RC on annual basis.

There are no termination or retirement benefits that are granted to the Directors. Having considered the variable components of the Executive Directors and key executives, the RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key executives in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

REPORT ON CORPORATE GOVERNANCE

Provision 7.2 – Remuneration of Non-Executive Directors

Independent directors are paid a fee for sitting on any of the Board Committees. Save for Directors' fees which have to be approved by the shareholders at every AGM, independent directors do not receive any remuneration from the Company.

Provision 7.3 – Long Term incentives

Karin Share Incentive Scheme

The purpose of the proposed Karin Group Incentive Scheme and Share Bonus Scheme is to reward key company persons within the Karin Group for their performance over the period in FY2022 and to recognize their work in the recent years as part of the 45th Anniversary of the Karin Group. One of the key elements to ensure the Group's continued success would be maintaining talents and strong spirit to drive the Group's business in the long-term. Hence, the proposal of the schemes to key persons are proposed, the benefit of a share scheme would also increase the sense of belonging with the Company, and a better recognition than a cash-based incentive.

The Karin Group's Independent Directors have shown huge commitments and incurred significant amount of time in attending meetings and discussing numerous corporate, operational and governance matters during the financial year. The RC proposed and the Board (except Independent Directors who have recused) approved share bonus for (i) Independent Directors for 600,000 shares, and (ii) Karin Group Performance Share Incentive Scheme of total 1,000,000 (reserve) shares to employees.

Each of the Independent Director will be issued and awarded 200,000 shares after the AGM scheduled on 27 October 2022, while for Karin Group Performance Share Incentive Scheme, the scheme will include senior management of operations, and general managers of the Company in reference to performance achieved in the last 5 years. The elements of measurement includes sales and business performance, operational achievements, management achievement, business development, future planning and execution.

DISCLOSURE ON REMUNERATION

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1 – Disclosure of remuneration

The breakdown of annual remuneration of each individual Director and the top 5 key executives (in bands of S$250,000) for the financial year ended 30 June 2022 are set out below:

Directors' Remuneration

Name of director	Director's fee S$'000	Salary & benefit S$'000	Variable bonus S$'000	Grant of share options S$'000	Total S$'000
Mr. Ng Kin Wing, Raymond	–	359	83	–	441
Mr. Ng Mun Kit, Michael	–	344	77	–	421
Mr. Ng Yuk Wing, Philip	–	135	47	–	182
Mr. Lim Yew Kong, John	50	–	–	–	50
Mr. Lawrence Kwan	50	–	–	–	50
Mr. Kuan Cheng Tuck	50	–	–	–	50

REPORT ON CORPORATE GOVERNANCE

Top 5 Key Executives' Remuneration

Name of key executive	Remuneration band	Salary & benefit %	Variable bonus %	Grant of share options %	Total %
Mr. Cheng Pak Cheong, Ray	II	68.0	32.0	–	100.0
Ms. Fan Shu Yung, Cecilia	I	69.2	30.8	–	100.0
Mr. Lee Yiu Chung, Eugene	II	75.5	24.5	–	100.0
Mr. Leung Yiu Chown, Desmond	II	63.1	36.9	–	100.0
Mr. Mok Pui Wah, Kenneth	II	64.1	35.9	–	100.0

NOTES:

Band I: S$0 to S$249,999
Band II: between S$250,000 to S$499,999

Provision 8.2 – Remuneration of related employees

Information on immediate family members of a director or CEO and whose remuneration exceeds S$100,000 during FY2022 is set out below:

Name	Family relationship with any Director and/or substantial shareholder	Remuneration band
Nil	N/A	N/A

The Company's Key Executives (excluding Executive Directors) are responsible for planning, directing and controlling activities of the Company and its subsidiaries. The total remuneration paid to the top 5 Key Executives for FY2022 is approximately S$1,430,000. Key Executives' remuneration is set in accordance with a remuneration framework comprising salary (including basic salary and benefits-in-kind), and variable payments.

For FY2022, there were no termination, retirement and post-employment benefits granted to the Executive Directors and Key Executives.

Mr. Ng Kin Wing, Raymond, Mr. Ng Mun Kit, Michael and Mr. Ng Yuk Wing, Philip were not involved in the deliberation and determination of the remuneration of their family members.

Provision 8.3 – Forms of remuneration and details of employee share schemes

Details of the 2014 ESOS are set out in the Notes to the financial statements.

Summary of RC activities in FY2022:

- reviewed and approved fixed remuneration for Executive Directors;
- reviewed remuneration packages of key executives in the Group; and
- considered the various disclosure requirements for directors' remuneration under the 2018 Code.

REPORT ON CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders

Provision 9.1 – Nature and extent of risks

The Board believes in the importance of maintaining a sound system of internal controls to safeguard the interests of the shareholders and the Group's assets. The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

The Board oversees Management in the areas of risk management and internal control system. The Board regularly reviews and improves the Company's business and operational activities to identify areas of significant risks as well as take appropriate measures to control and mitigate these risks.

The Board, with the assistance of the Audit and Risk Management Committee ("**ARMC**"), assesses the effectiveness of the system of internal controls established and maintained by the Group, addressing financial, operational, information technology and compliance, by considering reviews performed by the Management and the internal assessment reports performed by internal audit staff personnel from the Internal Audit Department.

The internal audit staff personnel ("**Internal Auditor**") reviews the effectiveness of the system of internal controls (including financial, operational, information technology and compliance) established and maintained by the Group based on the Internal Audit Plan approved by the ARMC, after consultation with Management so as to suit the specific requirements of the Group. The Internal Audit Reports are presented to the ARMC regularly. The Internal Auditor also monitors and evaluates the effectiveness of the Group's risk management processes. The Internal Auditor reviews the Karin Group Risk Register which consists of risks identified and recorded by Management and reports to the ARMC on the assessment of the risk management in connection with the risk to which they are related. The key executives hold monthly management meeting to discuss issues on business risks and its assessments.

The Board reviews the adequacy and effectiveness of the Company's internal control systems (including financial, operational, compliance and information technology) and risk management systems. Based on the reports presented, the Board is satisfied that the system of internal controls established and maintained by the Group addressing financial, operational, compliance and information technology controls as well as risk management systems, were adequate and effective to meet the needs of the Group in its current business environment. The controls relating to information technology were reviewed by the internal audit staff and reviewed by the ARMC during FY2022. The ARMC concurred with the Board's comments as aforementioned.

The Board, with the assistance of the ARMC, oversees risk management and does not have a separate risk committee.

Provision 9.2 – Assurance from the CEO, Group CFO and KMPs

The Board received assurance in writing from the CEO and Group Financial Controller, namely, Mr. Ng Mun Kit, Michael and Mr. Wong Chi Cheung, Clarence, that financial records have been properly maintained and financial statements of the Company give a true and fair view of the Company's operations and finances. The assurance from Mr. Ng Mun Kit, Michael and Mr. Wong Chi Cheung, Clarence also includes the adequacy and effectiveness of the Company's risk management and internal control systems (including financial, operational, information technology and compliance).

REPORT ON CORPORATE GOVERNANCE

AUDIT COMMITTEE

Principle 10: The Board has an Audit Risk and Management Committee which discharges its duties objectively.

Provisions 10.1, 10.2 and 10.3 – Composition of the Audit Risk and Management Committee ("ARMC")

The Company has established an ARMC which comprises three members, all are independent directors. They are:

Mr. Kuan Cheng Tuck	–	Chairman (redesigned as Chairman on 11 February 2022)
Mr. Lawrence Kwan	–	Member
Mr. Lim Yew Kong, John	–	Member

All members of the ARMC including the Chairman have accounting or related financial management expertise or experience.

The role of the ARMC is to assist the Board with discharging its responsibilities to safeguard the Company's assets, maintain adequate accounting records and, develop and maintain effective system of internal controls. The ARMC has explicit authority to investigate any matter within its written Terms of Reference with full access to and co-operation by Management.

The ARMC, which has written terms of reference, meets periodically to perform its functions which include, but not limited to, the following:

- review the significant reporting issues and judgements to ensure integrity of financial statements of the Company and formal announcements relating to the Company's financial performance;
- review the scope and results of external audit and independence and its cost effectiveness, independence and objectivity of the Company's external auditor and also to review the audit report from the external auditor;
- review the co-operation given by the Company's officers to the external auditors;
- review the system of internal accounting controls with the external auditor;
- nominate external auditors for re-appointment and approve the remuneration and terms of engagement of the external auditor;
- review interested person transactions, if any;
- review adequacy and effectiveness of the Group's internal controls including financial, operational, compliance and information technology controls;
- review the scope and results of the internal audit procedures;
- Ensure the internal audit function is adequately resourced and has appropriate standing within the Company and also ensure the adequacy of the internal audit function;
- review Whistle-Blowing Policy and to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action;
- meet with the external and internal auditors without the presence of the Management at least once a year;

- commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our operating results and/or financial position; and

- undertake such other reviews and projects as may be requested by the board of directors, and to report to the board of directors its findings from time to time on matters arising and requiring the attention of the ARMC.

The ARMC reviewed the scope and quality of the audits and the independence and objectivity of the external auditor as well as the cost effectiveness. The ARMC is satisfied that the external auditor, Ernst & Young, Hong Kong ("**E&Y Hong Kong**") meets the audit requirements and statutory obligation of the Company for FY2022.

On 12 February 2021, Rule 712 of the Listing Manual was amended to require issuers to appoint an auditing firm which is approved under the Accountants Act of Singapore ("**Accountants Act**"). As EY Hong Kong is not an approved auditing firm under the Accountants Act, the Company intends to appoint Ernst & Young LLP, Singapore ("**E&Y Singapore**") to comply with the amended Rule 712 of the Listing Manual. E&Y Singapore is an auditing firm approved under the Accountants Act. E&Y Singapore was selected for the proposed appointment after the ARMC evaluated the adequacy of the resources and experiences of the audit firm and the audit engagement partner to be assigned to the audit, the audit firm's ability to tap into its network for auditing a multi-national corporation, audit approach, transition plan, and the number and experience of supervisory and professional staff to be assigned. The scope of audit services to be provided by E&Y Singapore will be comparable to those provided by E&Y Hong Kong. After evaluation, the Board of Directors, in consultation with the ARMC, is satisfied that EY Singapore will be able to meet the audit requirements of the Company.

Pursuant to Rule 712(3) of the Listing Manual, the appointment of E&Y Singapore as external Auditor in place of E&Y Hong Kong, retiring at the forthcoming AGM, must be specifically approved by Shareholders in a general meeting. The retirement of E&Y Hong Kong and the appointment of E&Y Singapore as external Auditor will therefore take effect upon the approval of the same by Shareholders at the Annual General Meeting and, if appointed, E&Y Singapore will hold office until the conclusion of the next AGM of the Company. Please refer to the Letter to Shareholders for more information on the proposed change of auditor from E&Y Hong Kong to E&Y Singapore.

The Board of Directors would like to take this opportunity to express its appreciation to E&Y Hong Kong for past services rendered.

The Company confirms that it is or will be in compliance with Rules 712 and 715 of the Listing Manual in relation to the appointment of E&Y Singapore as the Auditor.

REPORT ON CORPORATE GOVERNANCE

For FY2022, the ARMC and Board are satisfied that the appointment of different auditors for its subsidiaries incorporated in Singapore and the People's Republic of China ("**PRC**") would not compromise the standard and effectiveness of the audit of the Company. The Company therefore is in compliance with Rules 715 and 716 of the Listing Manual of SGX-ST. The Company has engaged suitable auditing firms for its significant foreign-incorporated subsidiaries and associated company. Accordingly, the names of auditing firms for its significant subsidiaries and associated company are disclosed below, pursuant to Rule 717 of the Listing Manual of SGX-ST:

Name of significant subsidiaries and associated company	Name of auditing firm
New Spirit Electronic Technology Development (Shenzhen) Company Limited	Wongga Partners Certified Public Accountants (SZ) General Partner
Karin Electronic Trading (Shenzhen) Company Limited	Wongga Partners Certified Public Accountants (SZ) General Partner
Karin International Trading (Shanghai) Company Limited	Shanghai Jialiang CPAs Limited
Karltec Information System (Shenzhen) Company Limited	Wongga Partners Certified Public Accountants (SZ) General Partner
Matrix Power Technology (Shenzhen) Co. Ltd.	Shenzhen Zhonghang Certified Public Accountants
I M I Kabel and Engineering Pte. Ltd.	KBH Integra PAC
Karsing Pte. Ltd.	HLB Atrede LLP
Shanghai Cosel International Trading Co. Ltd.	Shanghai HDDY Certified Public Accountants Co., Ltd.

The ARMC meets periodically and also holds informal meetings and discussion with Management from time to time. The ARMC has full discretion to invite any director or executive officer to attend its meetings.

The ARMC had established a written whistle-blowing policy, by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties, misconduct or wrongdoing in matters of financial reporting or other matters relating to the Company and its officers. Whistleblower channels, such as email addresses and phone numbers are created for reporting of whistle-blowing events. All staff should be aware about the existence of the whistle-blowing policy. The whistle-blowing policy has been posted on the Group's corporate website. Each of the ARMC members or two of the senior management is the channel for reporting of suspicious non-compliance or improprieties. The objectives of the whistle-blowing policy are to ensure that arrangements are in place for independent investigation of such matters and for appropriate follow-up action. The ARMC is responsible for oversight and monitoring of whistleblowing and report to the Board. Safeguards are in place in the whistleblowing policy to allow whistleblowing reports be made in good faith and identity of the whistleblower kept confidential. The Company is committed to protect whistleblower against detrimental or unfair treatment. The ARMC obtained quarterly update on the status of whistle-blowing.

The ARMC has reasonable resources to enable it to discharge its functions properly. The ARMC is updated annually on any changes in accounting standards by the external auditor. During the year, E&Y Hong Kong briefed the Directors on the new IFRSs and received updates relating to accounting practices. No former partner or director of the Company's existing auditing firm is a member of the ARMC.

REPORT ON CORPORATE GOVERNANCE

Provision 10.4 – Internal audit function

The Company has established an Internal Audit Department and employed a full time Internal Auditor whom is a member of the Hong Kong Institute of Certified Public Accountants to perform the internal audit function and to improve the system and processes of internal controls of the Company. The Internal Auditor primarily reports to the Chairman of ARMC. The ARMC is responsible for the hiring, removal, evaluation and compensation of the Internal Auditor. The Internal Auditor has unfettered access to all the Company's documents, records, properties and personnel including access to the ARMC.

The ARMC has bi-annually reviewed the internal audit programme, the scope and results of internal audit procedures. The ARMC reviews the adequacy and effectiveness of the internal audit function. The Internal Auditor carries out its function in accordance to the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The ARMC is satisfied that the internal audit function is independent, effective and adequately resourced and has appropriate standing within the Company. The ARMC is also satisfied that the Internal Auditor is staffed by suitably qualified and experienced personnel.

Provision 10.5 – ARMC activities during the year

Summary of ARMC activities for FY2022:

- reviewing half yearly and full year financial statements and announcements and recommend to the Board;
- reviewing financial and operating performance of the Group;
- reviewing budget and forecasts as presented by Management;
- reviewing interested person transactions;
- reviewing the Karin Group Risk Register and assessed the Group's risks reported by the Internal Auditor, which includes both emerging and current risks;
- reviewing the audit report from E&Y Hong Kong, including areas of audit emphasis and key audit matters, findings and progress of Management's actions as well as update on new accounting standards with status of Management's implementations;
- reviewing all non-audit services provided by E&Y Hong Kong. Details of the audit and non-audit fees paid to E&Y Hong Kong and other auditors are set out on note 6 of the Notes to Financial Statements of the Annual Report. The ARMC is satisfied that such services would not affect the independence and objectivity of the external auditor;
- evaluating and recommending the re-appointment of the external auditor including review of fees, provision of non-audit, objectivity and independence and review of audit plan;
- reviewing internal audit plan (including progress, implementation of management actions, changes to the plan and auditable entity) and follow-up on internal audit;
- reviewing the adequacy and effectiveness of the internal controls (including financial, operations, compliance and information technology) with the Internal Auditor;
- reviewing the adequacy and effectiveness, independence and scope of the internal audit function including audit resources and its appropriate standing within the Group;

REPORT ON CORPORATE GOVERNANCE

- reviewing investigations within the Group and ensuring appropriate follow-up actions, where required;
- meeting with E&Y Hong Kong and Internal Auditor, in each case, without presence of Management; and
- obtained quarterly update on the status of whistle-blowing.

The ARMC met, including but not limited to telephone conference, with the external auditor and Internal Auditor without the presence of Management, at least once annually.

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provisions 11.1, 11.2, 11.3 and 11.4 – Conduct of general meetings

In line with the continuing disclosure obligations of the Company pursuant to the Listing Rules of the SGX-ST, the Board's policy is to facilitate the exercise of ownership rights by all shareholders, particularly shareholders would be informed promptly of all major developments that impact the Group or business which would likely materially affect the price or value of the Company's shares.

The AGM of the Company is the principal forum for dialogue and interaction with all shareholders. Shareholders are given the opportunity to participate at the AGM. Notice of AGM is dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 days before the meeting. There are separate resolutions at general meetings on each separate issue. Shareholders are informed of the rules and voting procedures at the AGM.

Under the existing Bye-laws of the Company, corporations which provide nominee or custodial services are allowed to appoint more than two proxies to attend and vote at the same general meeting. A registered shareholder of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.

The Board welcomes shareholders to voice out their views and direct questions regarding the Group at the AGM. The members of the Board and the Board Committees, senior management and external auditor would be present at the AGM to answer questions from shareholders. As the present Bye-Laws of the Company do not have a provision to allow shareholders to vote in absentia, via methods such as e-mail, fax, etc., and the legal and regulatory environment is not entirely conducive for voting in absentia, the Company does not allow a shareholder to vote in absentia at general meetings. The introduction of absentia voting methods will be deferred until an appropriate time.

The Board may from time to time review the provisions of the existing Bye-laws of the Company to ensure they are in line with the good corporate governance practices as recommended by the 2018 Code. If the Board deems fit, it may propose any necessary amendment to the same to the shareholders for approval.

REPORT ON CORPORATE GOVERNANCE

The Company holds its AGM in Singapore. Due to the COVID-19 restriction orders in Singapore, the Company held the Annual General Meeting 2021 ("**AGM 2021**") on 28 October 2021 pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements were arranged such as attendance at the AGM 2021 by way of electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM 2021, addressing of substantial and relevant questions at the AGM 2021 and voting by appointing the Chairman of the Meeting as proxy at the AGM 2021. Minutes of the AGM 2021 was published in the SGXNET.

In view of the current COVID-19 and restrictions orders in Singapore, the forthcoming AGM to be held on 27 October 2022 will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Please refer to the Notice of AGM of the Annual Report.

Provision 11.5 – Minutes of general meetings

Minutes of general meetings include substantial and relevant queries or comments from shareholders discussed in the AGM relating to the agenda of the meeting and responses from the Board and Management. These minutes were published in the Company's website and SGXNET within one month from date of AGM. Minutes of AGM held on 28 October 2021 was published on SGXNET and the Company's website on 26 November 2021.

The Company put all resolutions to vote by poll at the AGM and releases an announcement on the detailed results of voting.

Provision 11.6 – Dividend policy

In its consideration for dividend payment, the Company takes into account, among other factors, current cash position, future cash needs, profitability, retained earnings and business outlook. The Company takes the view that, committing to a fixed dividend policy, may jeopardize its financial position in times of adverse changes in market conditions. Hence it does not have a fixed dividend policy. Nevertheless, it has been making dividend payments each and every year since its public listing in 2005. For FY2022, in addition to the already paid HK12.8 cents per share interim dividend and interim special dividend, the Company is recommending a final dividend of HK11.8 cents per share, subject to approval by shareholders at the Annual General Meeting.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Provisions 12.1, 12.2 and 12.3 – Stakeholder engagement

The Board provides shareholders with half yearly and annual financial results. In presenting the financial results, the Board aims to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects on a half-yearly basis. Such responsibility is extended to the other price-sensitive public reports and reports to regulators (if required). The Board takes adequate steps to ensure compliance with legislative and regulatory requirements.

REPORT ON CORPORATE GOVERNANCE

Information is communicated to shareholders on a timely basis, through annual reports that are issued to all shareholders within the mandatory period, half-yearly and full year results announcements, notice of the general meeting and explanatory memoranda for annual general meetings and special general meetings, press releases and disclosures to the SGX-ST. The Company also holds media and analyst briefings. The Company ensures that price sensitive information is publicly released and is announced on an immediate basis, where required, under the listing Manual of the SGX-ST. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have a fair access to the information.

The Board Terms of Reference addresses the investor relations and shareholder communication matters. The Company has appointed an Investor Relations ("**IR**") firm in Singapore to handle all its investor relations affairs, including but not limited to establish and maintain regular dialogue with shareholders. The IR prepared press releases relating to the Company's products and business and it was released to the SGX-ST on a timely manner. Details of the IR firm are disclosed in the Corporate Information page of the Annual Report.

The Company always updates its corporate website in English with an investor relations section at www.karingroup.com through which shareholders will be able to access information of the Group. The website provides a business profile, corporate announcements, press releases, annual reports and other information of the Group.

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Engagement with Stakeholders
Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

Provisions 13.1, 13.2 and 13.3 – Stakeholder engagement

The Company engages its stakeholders through different channels to establish, address and monitor the material environmental, social and governance (ESG) factors of the Company's operation and its impact on the various stakeholders.

The Company engages stakeholders with through the various channels that are already in place, to better understand its stakeholders' concerns, and address any issues that they may face. Engagement channels and frequencies are reviewed periodically to ensure that they are sufficient to deal with current identified stakeholders' ESG-related issues.

The Company is committed to enhance and improve the current engagement initiatives, while staying abreast of new trends or developments that may affect the sustainability standing of the Company, and eventually devise corresponding measures to resolve the new ESG issues. For more information on the Company's approach to stakeholder engagement and materiality assessment, please refer to the Company's Sustainability Report which will be available before or by 30 November 2022.

REPORT ON CORPORATE GOVERNANCE

DEALINGS IN SECURITIES

The Directors of the Company have devised and adopted its own internal compliance code on Securities Transactions by Officers to govern the dealings in securities by the Company, the Directors and Officers of the Company and the Group, which is guided by the requirements of Rule 1207(19) of the Listing Manual of the SGX-ST.

In line with the internal compliance code, the Company issues circulars to its Directors, Officers and employees of the Group to ensure that there must be no dealings in the Company's listed securities by the Company, its Directors, Officers and employees on short term considerations or one month before release of the half-yearly and full year financial results, and if they are in possession of any unpublished material price-sensitive information. All Directors are also required to file with the Company reports on all their dealings in the listed securities of the Company on a timely basis.

MATERIAL CONTRACTS

There are no material contracts of the Company or its subsidiaries involving the interest of the Executive Chairman and CEO or any other Directors or controlling shareholders subsisting at the end of the financial year.

INTERESTED PERSON TRANSACTIONS

All interested person transactions are documented and reported in a timely manner to the ARMC to ensure the transactions are conducted on normal commercial terms and are not prejudicial to the interest of the Company and its minority shareholders.

The Company does not have an Interested Person Transactions mandate.

The transaction with an interested person for transactions entered into for the financial year ended 30 June 2022 is as follow:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
JP Software Inc* – Provision of IT programming services	HK$1,464,224 (equivalent to S$255,308)	NIL

* JP Software Inc. is 100% owned by the wife of Mr. Ng Kam Wing, Allan. Mr. Ng Kam Wing, Allan is a brother of Mr. Ng Yuk Wing, Philip (Executive Director/Chairman Emeritus and controlling shareholder) and Mr. Ng Kin Wing, Raymond (Executive Director/Executive Chairman and controlling shareholder) and also uncle of Mr. Ng Mun Kit, Michael (Executive Director/Chief Executive Officer and controlling shareholder).

Apart from the above, there were no other interested person transaction during the financial year.

REPORT ON CORPORATE GOVERNANCE

RISK MANAGEMENT

The Company regularly reviews and improves its business on operational level by taking into account the risk management perspective. The Company seeks to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the ARMC.

WHISTLE-BLOWING POLICY AND PROCEDURES

The Group has established a whistle-blowing policy and appropriate procedures have been developed to provide a proper process within the Group for reporting malpractices, illegal acts or acts of omission that employees may encounter at work. No reporting for any of such incidents happened during the financial year ended 30 June 2022. Whistle-blowing policy both in English and Chinese are made available to all stakeholders of the Company through publishing it on the Group's corporate website.

SUSTAINABILITY REPORT

The Group recognises that sustainability is increasingly important for business. We focus on economic, environmental and social areas to underpin our sustainability strategy. We are committed to managing the relevant sustainability risks and opportunities across the portfolio to ensure the long-term well-being of our business while contributing positively to the environment and community.

Currently, the Group is in the process of preparing its 2022 Sustainability Report and compiling the relevant ESG factors, with the support of an external consultant. Within this report, the Group will disclose the environmental, social and governance factors that are most relevant, how these will be measured, monitored and managed and the targets for the forthcoming year. The Group looks forward to sharing this report on the website of SGX-ST.

FINANCIAL CONTENTS

REPORT OF THE DIRECTORS	52
STATEMENT BY THE DIRECTORS	56
INDEPENDENT AUDITOR'S REPORT	57
AUDITED FINANCIAL STATEMENTS	
Consolidated:	
Statement of profit or loss and other comprehensive income	62
Statement of financial position	63
Statement of changes in equity	65
Statement of cash flows	67
Company:	
Statement of financial position	69
NOTES TO FINANCIAL STATEMENTS	70

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Karin Technology Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") for the year ended 30 June 2022.

DIRECTORS

The directors of the Company in office during the year and up to the date of this report were:

EXECUTIVE DIRECTORS:

Mr. Ng Kin Wing, Raymond – Executive Director and Executive Chairman
Mr. Ng Mun Kit, Michael – Executive Director and Chief Executive Officer
Mr. Ng Yuk Wing, Philip – Executive and Chairman Emeritus

INDEPENDENT DIRECTORS:

Mr. Lim Yew Kong, John
Mr. Lawrence Kwan
Mr. Kuan Cheng Tuck

In accordance with the bye-laws of the Company, Mr. Kuan Cheng Tuck and Mr. Ng Kin Wing, Raymond are due for retirement at the forthcoming annual general meeting ("**AGM**") and will offer themselves for re-election.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

Details of the results of the Group for the year ended 30 June 2022 and the financial position of the Company and of the Group at that date are set out in the financial statements on pages 62 to 139.

An interim dividend of HK4.0 cents per ordinary share with a total amount of approximately HK$8,590,000 and a special interim dividend of HK8.8 cents per ordinary share with a total amount of approximately HK$18,898,000 were paid on 17 March 2022. The directors of the Company proposed a final dividend for the year ended 30 June 2022 of HK11.8 cents per ordinary share with a total amount of approximately HK$25,340,000. This recommendation is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except for the share options as described in this report, neither at the end of nor at any time during the year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of directors' shareholdings, the following directors, who held office at the end of the financial year, had an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	At the beginning of the financial year	At the end of the financial year	At the beginning of the financial year	At the end of the financial year
Ordinary shares of the Company (ordinary shares of HK$0.10 each)				
Mr. Ng Kin Wing, Raymond	–	–	70,639,950	70,639,950
Mr. Ng Mun Kit, Michael	–	–	70,639,950	70,639,950
Mr. Lim Yew Kong, John	100,000	100,000	–	–
	100,000	100,000	147,374,900	147,374,900

Mr. Ng Kin Wing, Raymond and Mr. Ng Mun Kit, Michael, who by virtue of their interests of not less than 20% of the issued capital of the Company, are deemed to have interests in the shares of the subsidiaries of the Company.

There was no change in any of the aforementioned interests between the end of the financial year and 21 July 2022, being 21 days from the end of the financial year.

Except as disclosed in this report, no director of the Company who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

DIRECTORS' CONTRACTUAL BENEFITS

Except for the directors' remuneration as disclosed in the consolidated financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company, a related corporation with the director, a firm of which the director is a member, or a company in which the director has a substantial financial interest.

REPORT OF THE DIRECTORS

SHARE OPTIONS

The 2005 Karin Employee Share Option Scheme (the "**2005 ESOS**") for employees of the Group including executives and independent directors was adopted on 20 January 2005. Since the adoption of the 2005 ESOS, a total of 12,860,000 share options were granted to the directors and employees of the Group, a total of 12,760,000 share options were exercised and a total of 100,000 share options lapsed due to the resignation of an employee before exercising the share options.

The committee administering the 2005 ESOS comprises three independent directors, namely Mr. Lim Yew Kong, John, Mr. Lawrence Kwan and Mr. Kuan Cheng Tuck.

As at 30 June 2022, there was no outstanding share option held by any directors holding office or employees who received 5% or more of the total number of options granted pursuant to the Scheme.

During the year under review, no share option was granted pursuant to the 2005 ESOS and no share option was exercised. Further details of the 2005 ESOS are set out in note 28 to the financial statements.

Pursuant to a resolution passed at the annual general meeting held on 9 October 2014, the 2005 ESOS was cancelled and the 2014 Karin Employee Share Option Scheme (the "**2014 ESOS**") has been adopted. Since the adoption of the 2014 ESOS and during the year under review, no share option was granted pursuant to the 2014 ESOS and no share option was exercised. Further details of the 2014 ESOS are set out in note 28 to the financial statements.

KARIN PERFORMANCE SHARE PLAN

The Karin Performance Share Plan (the "**Plan**") was adopted on 21 October 2010.

The committee administering the Plan is the Remuneration Committee which comprises the three independent directors, namely Mr. Lim Yew Kong, John, Mr. Lawrence Kwan and Mr. Kuan Cheng Tuck.

During the current financial year and the prior financial year, no treasury share was awarded to employees of the Group.

As at 30 June 2022, save for the above, no shares have been awarded pursuant to the Plan and in particular, no shares were awarded pursuant to the Plan to:

(i) any directors of the Company;

(ii) any controlling shareholders and their associates; and

(iii) any employees of the Group which results in them receiving 5% or more of the total number of shares available under the Plan.

Since the commencement of the Plan, no shares have been awarded to employees of the Group.

The Plan has a maximum duration of ten years and was expired on 21 October 2020. The Plan was renewed at the AGM held on 23 October 2020.

REPORT OF THE DIRECTORS

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee comprises three members, all being independent directors. The current composition is as follows:

Mr. Kuan Cheng Tuck (Chairman)
Mr. Lawrence Kwan
Mr. Lim Yew Kong, John

The Audit and Risk Management Committee performs the functions specified in the Listing Manual and the Best Practice Guide of the Singapore Exchange Securities Trading Limited, and the Code of Corporate Governance 2018. The functions performed are detailed in the Report on Corporate Governance on pages 24 to 50 of the Annual Report.

The Audit and Risk Management Committee has nominated Messrs. Ernst & Young LLP, Singapore as the Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young, Hong Kong as auditors of the Company at the forthcoming annual general meeting. The Audit and Risk Management Committee has conducted an annual review of the non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before confirming their re-nomination.

AUDITORS

A resolution will be submitted to the annual general meeting to appoint Messrs. Ernst & Young LLP, Singapore as the Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young, Hong Kong, to hold the office until the conclusion of the next Annual General Meeting and to authorise the Directors of the Company to fix their remuneration.

On behalf of the board of directors:

Ng Kin Wing, Raymond
Executive Director And Executive Chairman

Ng Mun Kit, Michael
Executive Director And Chief Executive Officer

30 September 2022

STATEMENT BY THE DIRECTORS

We, Ng Kin Wing, Raymond and Mr. Ng Mun Kit, Michael, being two of the directors of Karin Technology Holdings Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying consolidated and company statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows together with notes thereto as set out on pages 62 to 139 are drawn up so as to present fairly, in all material respects, the financial position of the Company and of the Group as at 30 June 2022 and of the results of the business, changes in equity and cash flows of the Group for the year then ended, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors:

Ng Kin Wing, Raymond
Executive Director And Executive Chairman

Ng Mun Kit, Michael
Executive Director And Chief Executive Officer

30 September 2022

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Karin Technology Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Karin Technology Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 62 to 139, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**").

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the "**Code**") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables As at 30 June 2022, the Group had trade receivables of HK$439,867,000, which represented 36% of the total assets of the Group. Significant management judgements and estimations are required in assessing the expected credit losses ("ECLs") for the trade receivables, with reference to the ageing profile of the trade receivables, historical credit loss experience and both the current and forecast general economic conditions at the reporting date. The Group has engaged an independent professional valuer to assess the ECLs. The related disclosures are included in notes 3 and 19 to the consolidated financial statements.	In evaluating management's impairment assessment, our procedures included: (i) obtaining evidence of subsequent settlements for trade receivable balances on a sample basis; (ii) involving our internal valuation specialists to assist us to evaluate valuer's assumptions used to determine the ECLs, including historical credit loss experience of the debtors as well as the forward-looking factors with reference to the related publicly available information; (iii) testing of underlying information in the ageing reports; (iv) evaluating the objectivity, independence and competency of the valuer; and (v) assessing the adequacy of the Group's disclosures in relation to trade receivables included in the consolidated financial statements.
Provision for obsolete and slow-moving inventories As at 30 June 2022, the Group recorded inventories of HK$258,217,000 after provision against obsolete and slow-moving inventories, which accounted for 21% of the total assets of the Group. The provision against obsolete and slow-moving inventories is estimated based on the net realisable value of the inventories with reference to the rapid technological advancement and macroeconomic challenges. We focused on this area because significant judgements and estimations are required due to uncertainty about the impact of technological advancement, product life cycle, market conditions and future sales plans which require management to make judgement based on information available. The disclosures in relation to inventories and provision for obsolete and slow-moving inventories are included in note 3 to the consolidated financial statements.	We evaluated the Group's forecasted future sales levels based on past experience, subsequent sales status and market-specific considerations. We considered the inventory provisioning estimation and how it was applied. We obtained an understanding of the analyses and assessments made by management with respect to slow moving and obsolete inventories and end-of-life products, including the specific identification of these inventories. We tested the accuracy of the stock ageing report. We also reviewed and tested the calculation of inventory provision with reference to stock ageing analysis and net realisable value of inventories by checking to subsequent sales after the year end.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

Management is responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chung Chi Ming.

Ernst & Young
Certified Public Accountants
27th Floor, One Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

30 September 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2022

	Notes	2022 HK$'000	2021 HK$'000
REVENUE	5	**1,992,562**	1,875,571
Cost of sales		**(1,815,937)**	(1,701,935)
Gross profit		**176,625**	173,636
Other income and gains, net	5	**18,552**	16,126
Selling and distribution costs		**(68,795)**	(76,566)
Administrative expenses		**(76,839)**	(67,246)
Other expenses, net		**(8,443)**	(7,623)
Finance costs	7	**(3,169)**	(1,393)
Share of profit of an associate		**1,606**	162
PROFIT BEFORE TAX	6	**39,537**	37,096
Income tax expense	8	**(20,824)**	(6,035)
PROFIT FOR THE YEAR		**18,713**	31,061
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(481)**	13,074
Share of other comprehensive (loss)/income of an associate		**(384)**	448
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(865)**	13,522
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**17,848**	44,583
Profit for the year attributable to:			
Owners of the Company		**20,418**	32,435
Non-controlling interests		**(1,705)**	(1,374)
		18,713	31,061
Total comprehensive income attributable to:			
Owners of the Company		**19,525**	45,794
Non-controlling interests		**(1,677)**	(1,211)
		17,848	44,583
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY (HK cents)	10		
Basic and diluted		**9.5**	15.1

Details of dividends for the year are disclosed in note 9 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 HK$'000	30 June 2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**56,062**	54,477
Investment properties	12	**4,506**	16,692
Goodwill	14	**2,098**	2,098
Investment in an associate	16	**4,884**	3,662
Deferred tax assets	26	**7,342**	7,542
Right-of-use assets	13	**20,155**	2,452
Prepayments and other assets	20	**27,855**	20,286
Total non-current assets		**122,902**	107,209
CURRENT ASSETS			
Inventories	18	**258,217**	234,049
Trade and bills receivables	19	**455,061**	453,206
Prepayments, other receivables and other assets	20	**182,742**	138,010
Financial asset at fair value through profit or loss	17	**1,445**	1,218
Cash and cash equivalents	22	**125,265**	73,732
		1,022,730	900,215
Assets classified as held for sale	23	**71,615**	72,740
Total current assets		**1,094,345**	972,955
CURRENT LIABILITIES			
Trade and bills payables	24	**276,827**	283,383
Other payables and accruals	24	**213,173**	177,436
Tax payable		**8,772**	5,512
Derivative financial instrument	21	**18**	52
Interest-bearing bank and other borrowings	25	**244,610**	133,860
Lease liabilities	13	**9,923**	1,143
		753,323	601,386
Liabilities directly associated with assets classified as held for sale	23	**2,262**	4,892
Total current liabilities		**755,585**	606,278
NET CURRENT ASSETS		**338,760**	366,677
TOTAL ASSETS LESS CURRENT LIABILITIES		**461,662**	473,886

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2022

	Notes	30 June 2022 HK$'000	30 June 2021 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*26*	**6,925**	604
Other payables	*24*	**21,140**	16,098
Other borrowings	*25*	**63**	166
Lease liabilities	*13*	**10,584**	1,236
Total non-current liabilities		**38,712**	18,104
Net assets		**422,950**	455,782
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*27*	**21,476**	21,476
Treasury shares	*27*	**(19)**	(19)
Reserves	*29*	**404,991**	436,146
		426,448	457,603
Non-controlling interests		**(3,498)**	(1,821)
Total equity		**422,950**	455,782

Ng Kin Wing, Raymond
Executive Director and Executive Chairman

Ng Mun Kit, Michael
Executive Director and Chief Executive Office

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2022

		Attributable to owners of the Company											
	Notes	Issued capital HK$'000 (Note 27 (i))	Treasury Share HK$'000 (Note 27 (ii))	Shares premium account HK$'000 (Note 27 (i))	Contributed surplus HK$'000 (Note 29 (a)(i))	Land and buildings revaluation reserve HK$'000	General reserve HK$'000 (Note 29 (a)(ii))	Other reserve HK$'000 (Note 29 (a)(iii))	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2020		21,476	(19)	45,885	898	57,810	3,341	(890)	(6,453)	305,652	427,700	(464)	427,236
Profit for the year		–	–	–	–	–	–	–	–	32,435	32,435	(1,374)	31,061
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	12,911	–	12,911	163	13,074
Share of other comprehensive income of an associate		–	–	–	–	–	–	–	448	–	448	–	448
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	–	13,359	32,435	45,794	(1,211)	44,583
Final 2020 dividend paid	9	–	–	–	–	–	–	–	–	(9,878)	(9,878)	–	(9,878)
Interim 2021 dividend paid	9	–	–	–	–	–	–	–	–	(6,013)	(6,013)	–	(6,013)
Dividend paid to a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	(146)	(146)
Transfer between reserves of a subsidiary		–	–	–	–	–	94	–	–	(94)	–	–	–
At 30 June 2021		21,476	(19)	45,885*	898*	57,810*	3,435*	(890)*	6,906*	322,102*	457,603	(1,821)	455,782

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 30 June 2022

		Attributable to owners of the Company											
	Notes	Issued capital HK$'000 (Note 27 (i))	Treasury share HK$'000 (Note 27 (ii))	Shares premium account HK$'000 (Note 27 (i))	Contributed surplus HK$'000 (Note 29 (a)(i))	Land and buildings revaluation reserve HK$'000	General reserve HK$'000 (Note 29 (a)(ii))	Other reserve HK$'000 (Note 29 (a)(iii))	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2021		21,476	(19)	45,885*	898*	57,810*	3,435*	(890)*	6,906*	322,102*	457,603	(1,821)	455,782
Profit for the year		-	-	-	-	-	-	-	-	20,418	20,418	(1,705)	18,713
Other comprehensive income/(loss) for the year:													
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(509)	-	(509)	28	(481)
Share of other comprehensive loss of an associate		-	-	-	-	-	-	-	(384)	-	(384)	-	(384)
Total comprehensive income/(loss) for the year		-	-	-	-	-	-	-	(893)	20,418	19,525	(1,677)	17,848
Final 2021 dividend paid	9	-	-	-	-	-	-	-	-	(23,193)	(23,193)	-	(23,193)
Interim 2022 dividend paid	9	-	-	-	-	-	-	-	-	(27,487)	(27,487)	-	(27,487)
Transfer between reserves of a subsidiary		-	-	-	-	-	2,715	-	-	(2,715)	-	-	-
At 30 June 2022		21,476	(19)	45,885*	898*	57,810*	6,150*	(890)*	6,013*	289,125*	426,448	(3,498)	422,950

* These reserve accounts comprise the consolidated reserves of HK$404,991,000 (2021: HK$436,146,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**39,537**	37,096
Adjustments for:			
Bank interest income	5	**(396)**	(713)
Fair value losses/(gains) on investment properties, net	6	**1,800**	(1,190)
Write-down of/(reversal of) write-down of inventories to net realisable value, net	6	**9,143**	(5,913)
Depreciation of property, plant and equipment	6	**10,439**	9,293
Depreciation of right-of-use assets	6	**8,322**	1,509
Fair value (gain)/loss on derivative financial instruments	6	**(34)**	197
Fair value gain on a financial asset at fair value through profit or loss	6	**(227)**	(47)
Impairment of trade receivables, net	6	**5,746**	6,552
Gain on disposal of investment properties	6	**(559)**	–
(Gain)/loss on disposal of items of property, plant and equipment	6	**(9,984)**	154
Gain on rent concession	5	**–**	(63)
Finance costs	7	**3,169**	1,393
Share of profit of an associate		**(1,606)**	(162)
		65,350	48,106
Increase in inventories		**(34,267)**	(58,635)
Increase in trade and bills receivables		**(9,392)**	(114,496)
Increase in prepayments, other receivables and other assets		**(53,240)**	(20,686)
(Decrease)/increase in trade and bills payables		**(5,779)**	81,306
Increase in other payables and accruals		**38,058**	24,253
Cash generated from/(used in) operations		**730**	(40,152)
Interest paid	7	**(3,169)**	(1,393)
Income tax paid		**(11,264)**	(7,454)
Net cash flows used in operating activities		**(13,703)**	(48,999)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 30 June 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(21,317)**	(1,703)
Proceeds from disposal of property, plant and equipment		**18,067**	139
Proceeds from sales of investment properties		**12,701**	–
Dividend from an associate		**–**	361
Interest received		**396**	713
Net cash flows from/(used in) investing activities		**9,847**	(490)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**815,331**	954,147
Repayment of bank and other borrowings		**(703,081)**	(908,587)
Principal portion of lease payments		**(6,595)**	(1,329)
Dividends paid to owners of the Company		**(50,680)**	(15,891)
Dividend paid to a non-controlling shareholder		**–**	(146)
Net cash flows from financing activities		**54,975**	28,194
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**51,119**	(21,295)
Cash and cash equivalents at beginning of financial year		**70,713**	86,711
Cash and cash equivalents included in assets classified as held for sale		**(469)**	(269)
Effect of foreign exchange rate changes, net		**2,388**	5,566
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		**123,751**	70,713
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statement of financial position	22	**125,265**	73,732
Bank overdraft	25	**(1,514)**	(3,019)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**123,751**	70,713

STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	15	**76,308**	76,308
CURRENT ASSETS			
Prepayments		**2**	2
Amounts due from subsidiaries	15(b)	**50,498**	52,637
Cash and cash equivalents	22	**311**	235
Total current assets		**50,811**	52,874
CURRENT LIABILITIES			
Amount due to a subsidiary	15(b)	**2,254**	2,662
Accruals	24	**2,356**	3,362
Total current liabilities		**4,610**	6,024
NET CURRENT ASSETS		**46,201**	46,850
Net assets		**122,509**	123,158
EQUITY			
Issued capital	27	**21,476**	21,476
Treasury shares	27	**(19)**	(19)
Reserves	29(b)	**101,052**	101,701
Total equity		**122,509**	123,158

Ng Kin Wing, Raymond
Executive Director and Executive Chairman

Ng Mun Kit, Michael
Executive Director and Chief Executive Office

NOTES TO FINANCIAL STATEMENTS

30 June 2022

1. CORPORATE INFORMATION

Karin Technology Holdings Limited (the "**Company**") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. During the year, on 1 December 2021, the principal place of business of the Company was relocated from 2nd Floor, Karin Building, 166 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong to 9th Floor, The Whitney, 183 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were involved in the following principal activities:

(i) the distribution of electronic components ("**Components Distribution**");

(ii) the provision of computer data storage management solutions and services; provision of professional services in IT infrastructure, cloud solutions, network and security solutions ("**IT Infrastructure**"); and

(iii) the distribution and retailing of consumer electronics products ("**Consumer Electronics Products**").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. They have been prepared the historical cost convention, except for investment properties, financial asset at fair value through profit or loss and derivative financial instrument which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 June 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*

The nature and the impact of the revised IFRSs are described below:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") and United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 30 June 2022. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For the LIBOR-based borrowing, since the interest rate of the instrument was not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rate of the borrowing is replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of the instrument provided that the "economically equivalent" criterion is met.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,4]
Amendment to IFRS 17	Initial Application of IFRS 17 and IFRS 9 – *Comparative Information*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

The Group is still in the process of assessing the impact of the above new and revised IFRSs. Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENT IN AN ASSOCIATE

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in an associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the associates is included as part of the Group's investment in an associate.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group and liabilities assumed by the Group to the former owners of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 30 June. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT

The Group measures its investment properties, financial asset at fair value through profit or loss and derivative financial instrument at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, deferred tax assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group;

or

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Ownership interests in properties held for own use and buildings	Over the lease terms or 5%, whichever is shorter
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture and fixtures	20%
Office equipment	30%
Motor vehicles	25%

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

INVESTMENT PROPERTIES

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for sale are not depreciated or amortised.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	Over the lease terms
Other equipment	30%

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“**SPPI**”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred assets is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost is subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings.

Subsequent measurement

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENT

The Group uses derivative financial instrument, such as forward currency contract, to manage its foreign currency risk. Such derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group's forward currency contracts do not qualify for hedge accounting and accordingly any gains or losses arising from changes in fair value are taken directly to profit or loss.

TREASURY SHARES

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits that are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sale of certain electronic products and the provision of services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

Deferred tax assets and liabilities are offset if and only if the Group has a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to the income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

REVENUE RECOGNITION

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Some contracts for the sale of products provide customers with volume rebates. The volume rebates give rise to variable consideration.

Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(b) Revenue from the provision of professional and warranty services is recognised at the point in time when the services are rendered, or recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

CONTRACT ASSETS

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

CONTRACT LIABILITIES

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

CONTRACT COSTS

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset related. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REFUND LIABILITIES

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer.

The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

EMPLOYEE BENEFITS

Share-based payments

(a) Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (i.e., "equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EMPLOYEE BENEFITS (continued)

Share-based payments (continued)

(a) Share option scheme (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(b) Employee performance share plan

The Group operates an employee performance share plan (the "**Performance Share Plan**") for the purpose of motivating participants to optimise performance standards and efficiency and to maintain a high level of contribution to the Group. Employees and independent directors are eligible to participate in the plan. Eligible participants receive fully paid shares of the Company free of charge upon achieving a performance target, whereby employees render services as consideration for the equity instruments (i.e., "equity-settled transactions").

The remuneration committee of the board of directors will determine the grant of awards to participants at any time. A participant who is a member of the remuneration committee shall not be involved in deliberations in respect of awards issued from the Performance Share Plan.

The Group will record the expense only at the time the awards are granted and shares of the Company are issued to eligible participants. The amount charged to profit or loss for the grant of awards will be the same as the closing stock price of the Company on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") at the date of grant when the Group delivers treasury shares in fulfilment of the awards.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in defined contribution social security schemes operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the social security schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social security schemes.

The Singapore companies in the Group make contributions to the Central Provident Fund Scheme ("**CPF**") in Singapore, a defined contribution pension scheme. Contributions to the CPF are recognised as an expense in the statement of profit or loss in the period in which the related service is performed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BORROWING COSTS

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All borrowing costs are expensed in the period in which they are incurred.

DIVIDENDS

Interim dividends are proposed and declared, because the Company's bye-laws grant the directors of the Company the authority to declare interim and special dividends. Consequently, interim and special dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends are recognised as a liability when they have been approved by the shareholders in a general meeting and declared. Proposed final dividends are disclosed in the notes to the financial statements.

FOREIGN CURRENCIES

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with recognition of the gain or loss on change in fair value of the item (i.e., transaction difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas and Mainland China subsidiaries and associate are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollars at the exchange rates that approximates to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas and Mainland China subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Whether the presumption that investment properties stated at fair value are recovered through sale is rebutted in determining deferred tax

Investment properties are properties held to earn rentals or for capital appreciation or both. The Group has investment properties located in Hong Kong, Singapore and Mainland China which are measured at fair value. In considering whether the presumption in IAS 12 *Income Taxes* that an investment property measured at fair value will be recovered through sale is rebutted in determining deferred tax, the Group has developed certain criteria in making that judgement, such as whether an investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time or through sale. The presumption is rebutted only in the circumstance that there is sufficient evidence such as historical transaction, future development plan and management's intention to demonstrate the investment property is held with the objective to consume substantially all of the economic benefits over time, rather than through sale. Based on the above assessment, the presumption for the investment properties located in Mainland China is rebutted. Continuous assessments on the presumption will be made by management at each reporting date.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

JUDGEMENTS (continued)

Deferred tax liabilities on unremitted earnings

Deferred tax liabilities are recognised for withholding tax in respect of unremitted earnings of certain subsidiaries of the Group established in Mainland China to the extent that the directors are of the opinion that it would be probable for distribution in the foreseeable future. Significant management judgement is required to determine the amount of deferred tax liabilities that should be recognised. Further details are contained in note 26 to the consolidated financial statements.

ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2022 was HK$2,098,000 (2021: HK$2,098,000). Further details are given in note 14.

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at their fair value. The fair value was based on a valuation on these properties conducted by independent professionally qualified valuers using property valuation techniques which incorporate inputs such as current prices in an active market for similar properties and involve making assumptions on certain market conditions which existed at the end of the reporting period. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group’s investment properties and the corresponding adjustments to the gain or loss recognised in profit or loss and the land and buildings revaluation reserve, respectively.

Write-down of inventories to net realisable value and provision for obsolete and slow-moving inventories

Management reviews the ageing analysis and condition of inventories of the Group at the end of each reporting period, the provision for obsolete and slow-moving inventories is estimated based on the net realisable value of the inventories with reference to the rapid technology advancement and macroeconomic challenges. Significant judgements and estimations are required due to uncertainty about the impact of technological advances, product life cycle, market conditions and future sales plans which require management to make judgement based on information available at the year end.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATION UNCERTAINTY (continued)

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Financial assets at fair value through profit or loss

The unlisted equity investment has been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. These valuations requires the Group to make estimates about expected future cash flows, credit risk and discount rates, and hence they are subject to uncertainty. The fair value of the unlisted equity investment at 30 June 2022 was HK$1,445,000 (2021: HK$1,218,000). Further details are included in note 17 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the "Components Distribution" operating segment engages in the distribution of electronic components and cables;

(b) the "IT Infrastructure" operating segment engages in the provision of computer data storage management solutions and services; provision of professional services in IT infrastructure, cloud solutions, network and security solutions; and

(c) the "Consumer Electronics Products" operating segment engages in the distribution and retailing of consumer electronics products.

Management monitors the results of the Group's reportable operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income, fair value changes on investment properties, financial asset at fair value through profit or loss and derivative financial instrument, finance costs, share of profit of an associate and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude investment in an associate, deferred tax assets, cash and cash equivalents and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude income tax payable, interest-bearing bank and other borrowings, deferred tax liabilities and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

There were no material intersegment sales and transfers during the current and prior years.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

4. OPERATING SEGMENT INFORMATION (continued)

	Components Distribution HK$'000	IT Infrastructure HK$'000	Consumer Electronics Products HK$'000	Total HK$'000
Year ended 30 June 2022				
Segment revenue *(note 5)*	572,696	1,163,718	256,148	1,992,562
Segment results	3,916	21,980	8,010	33,906
Reconciliation:				
Bank interest income				396
Fair value loss on investment property, net				(1,800)
Fair value gain on a financial asset at fair value through profit or loss				227
Fair value gain on derivative financial instruments				34
Gain on disposal of investment properties				559
Gain on disposal of property, plant and equipment				9,984
Finance costs				(3,169)
Share of profit of an associate				1,606
Corporate and other unallocated expenses				(2,206)
Profit before tax				39,537
Segment assets	318,132	584,943	51,804	954,879
Reconciliation:				
Investment in an associate				4,884
Deferred tax assets				7,342
Cash and cash equivalents				125,265
Corporate and other unallocated assets				124,877
Total assets				1,217,247
Segment liabilities	66,403	365,326	56,852	488,581
Reconciliation:				
Tax payable				8,772
Interest-bearing bank and other borrowings				244,673
Deferred tax liabilities				6,925
Corporate and other unallocated liabilities				45,346
Total liabilities				794,297
Other segment information:				
Depreciation				18,761
Other non-cash expenses, net	11,196	3,274	419	14,889
Capital expenditure				21,317

NOTES TO FINANCIAL STATEMENTS

30 June 2022

4. OPERATING SEGMENT INFORMATION (continued)

	Components Distribution HK$'000	IT Infrastructure HK$'000	Consumer Electronics Products HK$'000	Total HK$'000
Year ended 30 June 2021				
Segment revenue *(note 5)*	654,591	1,065,819	155,161	1,875,571
Segment results	8,706	26,495	3,396	38,597
Reconciliation:				
Bank interest income				713
Fair value gains on investment properties, net				1,190
Fair value gain on a financial asset at fair value through profit or loss				47
Fair value gain on derivative financial instrument				(197)
Finance costs				(1,393)
Share of profit of an associate				162
Corporate and other unallocated expenses				(2,023)
Profit before tax				37,096
Segment assets	331,978	496,901	42,074	870,953
Reconciliation:				
Investment in an associate				3,662
Deferred tax assets				7,542
Cash and cash equivalents				73,732
Corporate and other unallocated assets				124,275
Total assets				1,080,164
Segment liabilities	93,629	314,989	39,016	447,634
Reconciliation:				
Tax payable				5,512
Interest-bearing bank and other borrowings				134,026
Deferred tax liabilities				604
Corporate and other unallocated liabilities				36,606
Total liabilities				624,382
Other segment information:				
Depreciation				10,802
Other non-cash expenses/(income), net	718	359	(438)	639
Capital expenditure				1,703

NOTES TO FINANCIAL STATEMENTS

30 June 2022

4. OPERATING SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION

	Hong Kong HK$'000	Mainland China HK$'000	Others HK$'000	Total HK$'000
Year ended 30 June 2022				
Segment revenue	**1,396,780**	**406,657**	**189,125**	**1,992,562**
Non-current assets	**66,050**	**28,904**	**20,606**	**115,560**
Year ended 30 June 2021				
Segment revenue	1,166,634	479,720	229,217	1,875,571
Non-current assets	28,997	48,661	22,009	99,667

The revenue information is based on the locations of the customers.

The non-current assets information is based on the locations of assets and excludes financial instruments and deferred tax assets.

INFORMATION ABOUT MAJOR CUSTOMERS

The Group did not have a single external customer from whom the revenue derived amounted to 10% or more of the Group's revenue during the year (2021: Nil).

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2022 **HK$'000**	2021 HK$'000
Revenue from contracts with customers	**1,992,562**	1,875,571

NOTES TO FINANCIAL STATEMENTS

30 June 2022

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Disaggregated revenue information

	Components Distribution HK$'000	IT Infrastructure HK$'000	Consumer Electronics Products HK$'000	Total HK$'000
For the year ended 30 June 2022				
Types of goods or services				
Sale of goods	572,696	942,051	256,148	1,770,895
Provision of professional and warranty services	–	221,667	–	221,667
Total revenue from contracts with customers	572,696	1,163,718	256,148	1,992,562
Geographical markets				
Hong Kong	177,733	963,941	255,106	1,396,780
Mainland China	342,738	63,919	–	406,657
Others	52,225	135,858	1,042	189,125
Total revenue from contracts with customers	572,696	1,163,718	256,148	1,992,562
Timing of revenue recognition				
Goods and services transferred at a point in time	572,696	970,360	256,148	1,799,204
Services transferred over time	–	193,358	–	193,358
Total revenue from contracts with customers	572,696	1,163,718	256,148	1,992,562

NOTES TO FINANCIAL STATEMENTS

30 June 2022

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(i) Disaggregated revenue information (continued)

	Components Distribution HK$'000	IT Infrastructure HK$'000	Consumer Electronics Products HK$'000	Total HK$'000
For the year ended 30 June 2021				
Types of goods or services				
Sale of goods	654,591	877,696	155,161	1,687,448
Provision of professional and warranty services	–	188,123	–	188,123
Total revenue from contracts with customers	654,591	1,065,819	155,161	1,875,571
Geographical markets				
Hong Kong	160,380	851,705	154,549	1,166,634
Mainland China	434,850	44,870	–	479,720
Others	59,361	169,244	612	229,217
Total revenue from contracts with customers	654,591	1,065,819	155,161	1,875,571
Timing of revenue recognition				
Goods and services transferred at a point in time	654,591	889,216	155,161	1,698,968
Services transferred over time	–	176,603	–	176,603
Total revenue from contracts with customers	654,591	1,065,819	155,161	1,875,571

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022 HK$'000	2021 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**51,403**	41,720
Provision of professional and warranty services	**107,000**	91,835
	158,403	133,555

NOTES TO FINANCIAL STATEMENTS

30 June 2022

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon product delivery and payment is generally due within 30 to 60 days from delivery, where payment in advance is normally required.

Provision of professional and warranty services

The performance obligation is satisfied upon service delivery, or over time as services are rendered and payment is generally due within 30 to 60 days from the date of billing where payment in advance is normally required before rendering the services.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June are as follows:

	2022 HK$'000	2021 HK$'000
Amounts expected to be recognised as revenue:		
Within one year	**178,699**	142,305
After one year	**21,139**	16,098
	199,838	158,403

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised after one year relate to warranty services of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2022 HK$'000	2021 HK$'000
Other income and gains, net		
Bank interest income	**396**	713
Gross rental income	**1,171**	1,820
Fair value gain on a financial asset at fair value through profit or loss	**227**	47
Fair value gain on derivative financial instruments	**34**	–
Fair value gains on investment properties, net	**–**	1,190
Government subsidies*	**3,411**	8,777
Gain on disposal of property, plant and equipment	**9,984**	–
Gain on disposal of investment properties	**559**	–
Gain on rent concession	**–**	63
Others	**2,770**	3,516
	18,552	16,126

* The subsidies mainly represent subsidies received in connection with the COVID-19 pandemic in Hong Kong, China and Singapore. There are no unfulfilled conditions relating to the subsidies.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

6. PROFIT BEFORE TAX

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

		Group	
	Notes	**2022 HK$'000**	2021 HK$'000
Cost of inventories sold		**1,709,684**	1,617,820
Cost of services provided		**106,253**	84,115
Write-down/(reversal of write-down) of inventories to net realisable value, net*		**9,143**	(5,913)
Depreciation of property, plant and equipment	*11*	**10,439**	9,293
Depreciation of right-of-use assets	*13(a)*	**8,322**	1,509
Fair value loss/(gain) on investment properties, net	*12, 23*	**1,800**	(1,190)
Fair value gain on a financial asset at fair value through profit or loss		**(227)**	(47)
Fair value (gain)/loss on derivative financial instruments		**(34)**	197
Foreign exchange differences, net		**897**	728
Lease payments not included in the measurement of lease liabilities	*13(c)*	**2,070**	2,090
Auditors' remuneration:			
Audit fee paid to the auditor of the Company		**1,879**	1,808
Audit fee paid to other auditors		**143**	135
Non-audit fees paid to the auditor of the Company		**242**	229
Non-audit fees paid to other auditors		**7**	10
Employee benefit expense (excluding directors' remuneration *(note 32(b)):*			
Wages and salaries		**102,699**	106,009
Pension scheme contributions		**7,502**	6,691
		110,201	112,700
Impairment of trade receivables, net	*19(b)*	**5,746**	6,552
(Gain)/loss on disposal of items of property, plant and equipment		**(9,984)**	154
Gain on disposal of investment properties		**(559)**	–
Gain on rent concession		**–**	(63)

* The amount is included in "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

7. FINANCE COSTS

	Group 2022 HK$'000	2021 HK$'000
Interest on bank and other borrowings	**2,829**	1,357
Interest on lease liabilities	**340**	36
	3,169	1,393

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2021/2022. The first HK$2,000,000 (2021: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Group 2022 HK$'000	2021 HK$'000
Current		
Charge for the year	**14,088**	5,797
Under/(over)provision in prior years	**(3)**	153
	14,085	5,950
Deferred *(note 26)*	**6,739**	85
Total tax expense for the year	**20,824**	6,035

New Spirit Electronic Technology Development (Shenzhen) Company Limited, a wholly-owned subsidiary of the Group, was subject to a preferential tax rate of 15% (2021: 15%) as it was designated as a high technology enterprise for the years ended 30 June 2022 and 2021.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

8. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate of Hong Kong to the tax expense at the effective tax rate is as follows:

	Group	
	2022	2021
	HK$'000	HK$'000
Profit before tax	**39,537**	37,096
Tax at the statutory rate of Hong Kong of 16.5% (2021: 16.5%)	**6,524**	6,121
Adjustments in respect of current tax of previous periods	**(3)**	153
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**5,562**	–
Income not subject to tax	**(627)**	(1,973)
Expenses not deductible for tax	**697**	981
Tax losses utilised from previous periods	**(1,167)**	(214)
Tax losses not recognised	**3,611**	1,411
Profit attributable to an associate	**(265)**	(27)
Others	**6,492**	(417)
Tax expense at the Group's effective rate of 52.7% (2021: 16.3%)	**20,824**	6,035

9. DIVIDENDS

	Group	
	2022	2021
	HK$'000	HK$'000
Interim dividend – HK$0.128 (2021: HK$0.028) per ordinary share	**27,487**	6,013
Proposed final dividend – HK$0.118 (2021: HK$0.108) per ordinary share	**25,340**	23,193
	52,827	29,206

The proposed final dividend for the year ended 30 June 2021 was approved by the Company's shareholders at the annual general meeting held during the current financial year on 28 October 2021.

The proposed final dividend for the current financial year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts for the years ended 30 June 2022 and 2021 is based on the profit attributable to the ordinary shareholders of the Company for the respective years, and the weighted average number of ordinary shares of 214,748,000 and 214,748,000 in issue, respectively, which has taken into account the effect of treasury shares.

The Group has no potentially dilutive ordinary shares in issue during the years ended 30 June 2022 and 2021.

11. PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in properties held for own use and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
30 June 2022						
At 1 July 2021:						
Cost	86,191	8,430	4,105	24,121	4,446	127,293
Accumulated depreciation	(35,626)	(8,262)	(3,488)	(21,185)	(4,255)	(72,816)
Net carrying amount	50,565	168	617	2,936	191	54,477
At 1 July 2021, net of accumulated Depreciation	50,565	168	617	2,936	191	54,477
Additions	–	15,284	371	3,713	1,949	21,317
Reclassification to assets classified as held for sale *(note 23)*	–	(16)	–	–	–	(16)
Disposal	(7,909)	–	–	(22)	(152)	(8,083)
Depreciation provided during the year	(3,649)	(4,423)	(183)	(1,781)	(403)	(10,439)
Exchange realignment	(1,154)	2	(9)	(32)	(1)	(1,194)
At 30 June 2022, net of accumulated depreciation	37,853	11,015	796	4,814	1,584	56,062
At 30 June 2022:						
Cost	67,339	21,577	4,396	27,010	5,244	125,566
Accumulated depreciation	(29,486)	(10,562)	(3,600)	(22,196)	(3,660)	(69,504)
Net carrying amount	37,853	11,015	796	4,814	1,584	56,062

NOTES TO FINANCIAL STATEMENTS
30 June 2022

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Ownership interests in properties held for own use and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
30 June 2021						
At 1 July 2020:						
Cost	146,668	54,800	14,622	23,216	6,098	245,404
Accumulated depreciation	(51,475)	(51,707)	(13,872)	(20,066)	(5,543)	(142,663)
Net carrying amount	95,193	3,093	750	3,150	555	102,741
At 1 July 2020, net of accumulated Depreciation	95,193	3,093	750	3,150	555	102,741
Additions	–	578	169	956	–	1,703
Reclassification to assets classified as held for sale *(note 23)*	(42,443)	(1,838)	(88)	(73)	–	(44,442)
Disposal	–	(122)	(24)	(127)	(20)	(293)
Depreciation provided during the year	(6,003)	(1,543)	(232)	(1,146)	(369)	(9,293)
Exchange realignment	3,818	–	42	176	25	4,061
At 30 June 2021, net of accumulated depreciation	50,565	168	617	2,936	191	54,477
At 30 June 2021:						
Cost	86,191	8,430	4,105	24,121	4,446	127,293
Accumulated depreciation	(35,626)	(8,262)	(3,488)	(21,185)	(4,255)	(72,816)
Net carrying amount	50,565	168	617	2,936	191	54,477

NOTES TO FINANCIAL STATEMENTS

30 June 2022

12. INVESTMENT PROPERTIES

		Group	
		2022	2021
	Notes	**HK$'000**	HK$'000
Carrying amount at beginning of financial year		**16,692**	42,123
Reclassification to assets classified as held for sale	*23*	**–**	(27,900)
Disposal		**(12,142)**	–
Net gains from fair value adjustments recognised in profit or loss	*6*	**–**	1,190
Exchange realignment		**(44)**	1,279
Carrying amount at end of financial year		**4,506**	16,692

Notes:

(a) The Group's investment properties are commercial properties situated in Hong Kong (classified as "**Assets classified as held for sale**" as at 30 June 2022 and 30 June 2021) and Mainland China, and an industrial property situated in Singapore. They are leased to third parties under operating leases, further summary details of which are included in note 13 to the financial statements.

(b) The Group's investment properties were revalued on 30 June 2022 by BMI Appraisals Limited and Atlas 21 Realty PTE Ltd., independent professionally qualified valuers, using the direct comparison approach and income capitalisation method. Each year, the Group's senior management decide which external valuers to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, independence and whether professional standards are maintained. The Group's financial controller has ongoing discussions with the valuers on the valuation assumptions and valuation results when the valuations are performed.

Fair value hierarchy

At 30 June 2022, fair value measurements of all of the Group's investment properties are using significant unobservable inputs (Level 3) as defined in IFRS 13. During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3 (2021: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties HK$'000	Industrial property HK$'000
Carrying amount at 1 July 2020	37,675	4,448
Net gains from fair value adjustments recognised in profit or loss	1,190	–
Reclassification to assets classified as held for sale	(27,900)	–
Exchange realignment	1,110	169
Carrying amount at 30 June 2021 and 1 July 2021	**12,075**	**4,617**
Disposal	**(12,142)**	**–**
Exchange realignment	**67**	**(111)**
Carrying amount at 30 June 2022	**–**	**4,506**

NOTES TO FINANCIAL STATEMENTS

30 June 2022

12. INVESTMENT PROPERTIES (continued)

Notes: (continued)

(b) (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of the Group's investment properties:

Valuation techniques	Significant unobservable inputs	Input/range of input 2022	2021
Commercial properties			
Property located in Hong Kong#			
Direct comparison method	Price per square feet (sq.f)	**HK$6,610 to HK$7,940 per sq.f**	HK$6,791 to HK$7,471 per sq.f
Properties located in Mainland China			
Direct comparison method and income capitalisation method	(i) Capitalisation rate (%)	**N/A**	3.0% to 3.5%
	(ii) Prevailing market rents	**N/A**	RMB122 to RMB210 per sq.m
	(iii) Price per square metre (sq.m)	**N/A**	RMB23,000 to RMB26,000
Industrial property			
Property located in Singapore			
Direct comparison method	Price per square feet (sq.f)	**S$455 per sq.f**	S$479 per sq.f

Classified as "Assets classified as held for sale" as at 30 June 2022 and 30 June 2021 (note 23)

Under the direct comparison method, the Group assumes sale in the existing status with the benefit of vacant possession and refers to comparable sales evidence as available in the relevant market. Appropriate adjustments have then been made to account for the differences between the properties and the comparables in terms of age, time, location, floor level and other relevant factors.

The income capitalisation approach used in the valuation of properties located in Mainland China was used to cross-check the valuation results from the direct comparison method. The income capitalisation approach is applied based on net rental income that can be generated from the properties under existing tenancies and the reversionary potential of the tenancies if they have been or would be let to tenants.

The aforementioned valuations have been made on the assumption that the Group sells the properties in the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties.

An increase (decrease) in the capitalisation rate in isolation would result in a decrease (increase) in the fair value of the investment properties, while an increase (decrease) in the annual rental income or sales price per square metre/feet in isolation would each result in an increase (decrease) in the fair value of the investment properties.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

13. LEASES

THE GROUP AS A LESSEE

The Group has lease contracts for various items of warehouses, office premises and other equipment used in its operations. Leases of warehouses and office premises generally have lease terms between 2 and 3 years. Other equipment has a lease term of 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. No lease contracts include extension and termination options and variable lease payments.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Warehouse HK$'000	Office premises HK$'000	Other equipment HK$'000	Total HK$'000
As at 1 July 2020	–	914	301	1,215
Additions	675	2,517	–	3,192
Depreciation charge	(229)	(1,136)	(144)	(1,509)
Termination of a lease	(446)	–	–	(446)
As at 30 June 2021 and 1 July 2021	–	2,295	157	2,452
Additions	**810**	**25,192**	**–**	**26,002**
Depreciation charge	**(93)**	**(8,085)**	**(144)**	**(8,322)**
Exchange realignment	**3**	**20**	**–**	**23**
As at 30 June 2022	**720**	**19,422**	**13**	**20,155**

(b) Lease liabilities

The carrying amount of lease liabilities (included lease liabilities under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2022 HK$'000	2021 HK$'000
Carrying amount at 1 July	**2,643**	1,305
Additions	**24,609**	3,192
Accretion of interest recognised during the year	**340**	36
Remeasurement on rent concession	**–**	(63)
Payments	**(6,935)**	(1,365)
Termination of a lease	**–**	(462)
Exchange realignment	**16**	–
Carrying amount at 30 June	**20,673**	2,643
Analysed into:		
Current portion	**10,026**	1,241
Non-current portion	**10,647**	1,402

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

13. LEASES (continued)

THE GROUP AS A LESSEE (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 **HK$'000**	2021 HK$'000
Interest on lease liabilities	**340**	36
Depreciation charge of right-of-use assets	**8,322**	1,509
Expense relating to short-term leases (included in administrative expenses)	**2,070**	2,090
Total amount recognised in profit or loss	**10,732**	3,635

THE GROUP AS A LESSOR

The Group leases its investment properties (note 12) consisting of one (2021: one) commercial property in Hong Kong, one (2021: one) commercial property in Mainland China and one (2021: one) industrial property in Singapore under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$1,171,000 (2021: HK$1,820,000), details of which are included in note 5 to the financial statements.

At 30 June 2022, the undiscounted minimum lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 **HK$'000**	2021 HK$'000
Within one year	**47**	825
After one year but within two years	**–**	300
	47	1,125

14. GOODWILL

	Group 2022 HK$'000	2021 HK$'000
At beginning and end of financial year:		
Cost	**5,104**	5,104
Accumulated impairment	**(3,006)**	(3,006)
Net carrying amount	**2,098**	2,098

IMPAIRMENT ASSESSMENT

Goodwill acquired through business combinations has been allocated to the following cash-generating units, which are reportable operating segments, at the date of acquisition for impairment testing:

- Components Distribution
- IT Infrastructure

The recoverable amounts of these cash-generating units have been determined based on a value in use calculation using cash flow projections which are based on financial budgets approved by management covering a period of five years and cash flows for the following years are extrapolated based on an estimated average growth rate of 3% (2021: 3%) per annum. The discount rate applied to cash flow projections is 8% (2021: 6%).

At the beginning and end of the financial year, the carrying amounts of goodwill allocated to each of the cash-generating units were as follows:

	2022 HK$'000	2021 HK$'000
Components Distribution	**1,901**	1,901
IT Infrastructure	**197**	197
Total	**2,098**	2,098

14. GOODWILL (continued)

IMPAIRMENT ASSESSMENT (continued)

Assumptions were used in the value in use calculation of the relevant cash-generating units for 30 June 2022 and 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- *Budgeted revenue*

  The basis used to determine the budgeted revenue is with reference to the expected growth rate of the market in which the assessed cash-generating unit operates.

- *Budgeted gross margins*

  The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements.

- *Business environment*

  There will be no major changes in the existing political, legal and economic conditions in Hong Kong, Mainland China and Singapore in which the assessed entities within the cash-generating units carry on their businesses.

- *Discount rate*

  The discount rate used is before tax and reflects specific risks relating to the relevant units.

After the assessment, no impairment of goodwill was recognised in profit or loss during the year (2021: Nil).

15. INVESTMENTS IN SUBSIDIARIES

		Company	
		2022	2021
	Notes	**HK$'000**	HK$'000
Unlisted shares, at cost	*(a)*	**73,931**	73,931
Capital contribution in respect of employee share-based compensation		**2,377**	2,377
Investments in subsidiaries included in non-current assets		**76,308**	76,308

NOTES TO FINANCIAL STATEMENTS

30 June 2022

15. INVESTMENTS IN SUBSIDIARIES (continued)

Notes:

(a) Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity indirectly attributable to the Company	Principal activities
Karin Electronic Supplies Company Limited	Hong Kong	Ordinary HK$3,592,394	100	Distribution and trading of electronic components and provision of computer data storage management solutions and services
New Spirit Technology Limited	Hong Kong	Ordinary HK$1,500,000	100	Provision of integrated circuit application design solutions
New Spirit Electronic Technology Development (Shenzhen) Company Limited*	The People's Republic of China (the "**PRC**")/Mainland China	Registered HK$1,000,000	100	Provision of IC software application design solutions
Karin Electronic Trading (Shenzhen) Company Limited*	PRC/Mainland China	Registered HK$2,000,000	100	Trading of electronic components, computer products and peripherals
Karin International Trading (Shanghai) Company Limited*	PRC/Mainland China	Registered US$1,288,000	100	Trading of electronic components, computer products and peripherals
Kepro Solutions Limited	Hong Kong	Ordinary HK$1,000,000	100	Provision of computer data storage management solutions and services
Sen Spirit Technology Limited	Hong Kong	Ordinary HK$1,000,000	100	Distribution of computer products and peripherals
Compucon Computers Limited	Hong Kong	Ordinary HK$100,000	100	Trading of electronics products and peripherals and provision of software products and solutions
Karin Solutions and Services Limited	Hong Kong	Ordinary HK$10,000	100	Provision of professional consulting services
Compusmart Limited	British Virgin Islands/Hong Kong	Ordinary US$1	100	Property holding
Karga Solutions Limited	Hong Kong	Ordinary HK$100,000	100	Provision of professional consulting services and software products, solutions and training
Karltec Information System (Shenzhen) Company Limited*	PRC/Mainland China	Registered HK$7,000,000	75	Distribution of computer products and peripherals

NOTES TO FINANCIAL STATEMENTS

30 June 2022

15. INVESTMENTS IN SUBSIDIARIES (continued)

Notes: (continued)

(a) Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/registered share capital	Percentage of equity indirectly attributable to the Company	Principal activities
I M I Kabel & Engineering Pte. Ltd.	Singapore	Ordinary S$300,000	70	Distribution of industrial cables
Matrix Power Technology (Shenzhen) Co. Ltd*	PRC/Mainland China	Registered RMB9,400,000	70	Provision of power supply solution services
Karsing Pte. Limited	Singapore	Ordinary S$10,000	100	Property holding and provision of computer data storage management solutions and services
KCF A Store Limited	Hong Kong	Ordinary HK$2,500,000	80	Distribution of electronic products and accessories
Kagile Solutions Limited	Hong Kong	Ordinary HK$10,000	70	Provision of software application products for corporate clients
Karin (Macau) Company Limited	Macau	Registered MOP25,000	100	Distribution and trading of electronic components and provision of computer data storage management solutions and services
Kepro (Macau) Company Limited	Macau	Registered MOP25,000	100	Provision of computer data storage management solutions and services

* The English names of the subsidiaries are direct translations of their registered Chinese names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(b) The balances with subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of the balances approximate to their fair values.

(c) Management is of the opinion that the Group does not have any material non-wholly-owned subsidiary which requires additional disclosures in accordance with the requirements set out in IFRS 12.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

16. INVESTMENT IN AN ASSOCIATE

		Group	
		2022	2021
	Notes	**HK$'000**	HK$'000
Share of net assets	*(a)*	**4,884**	3,662

Notes:

(a) Particulars of an associate are as follows:

Name	Place of registration and operations	Nominal value of registered capital	Percentage of equity indirectly attributable to the Company	Principal activities
Shanghai Cosel International Trading Co., Ltd. ("**SCIT**")	PRC/Mainland China	US$200,000	30	Trading of switch mode power supplies and provision of consulting services

The Group's voting power held and profit sharing arrangement in relation to SCIT are 30% (2021: 30%).

(b) SCIT is considered as a material associate of the Group. The following table illustrates the summarised financial information of SCIT, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	Group	
	2022	2021
	HK$'000	HK$'000
Current assets	**33,208**	25,531
Non-current assets	**55**	24
Current liabilities	**(16,985)**	(13,348)
Net assets	**16,278**	12,207
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**30%**	30%
Group's share of net assets of the associate and carrying amount of the investment	**4,884**	3,662
Revenue	**125,745**	101,817
Profit and total comprehensive income for the year	**5,352**	540
Dividend received	**–**	361

NOTES TO FINANCIAL STATEMENTS

30 June 2022

17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group	
	Notes	**2022 HK$'000**	2021 HK$'000
Current			
Unlisted equity investment	*(a)*	**1,445**	1,218

Note:

(a) On 25 June 2015, the Group entered into an investment agreement with an independent third party (the "**Investee**"), pursuant to which the Group invested in a product development project undertaken by the Investee (the "**Project**") at an initial investment cost of HK$2 million.

During the year ended 30 June 2022, a fair value gain on the investment in the Project amounting to HK$227,000 (2021: HK$47,000) was credited to profit or loss as "Other income and gains, net".

FAIR VALUE HIERARCHY

At 30 June 2022, fair value measurement of the Group's financial asset at fair value through profit or loss is using significant unobservable inputs (Level 3) as defined in IFRS 13. During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3 (2021: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Group	
	2022 HK$'000	2021 HK$'000
Carrying amount at beginning of year	**1,218**	1,171
Net gain from a fair value adjustment recognised in profit or loss	**227**	47
Carrying amount at end of year	**1,445**	1,218

Below is a summary of the valuation technique used and the key input to the valuation in the current year:

	Valuation technique	**Significant unobservable input**	**Rate**	**Sensitivity of fair value to inputs**
Unlisted equity investment	Income approach	Discount rate	8.02% (2021: 9.70%)	When the discount rate increases/decreases by 50 basis points (2021: 50 basis points), the fair value will decrease/ increase by HK$85,000 and HK$96,000 (2021: HK$60,000 and HK$66,000), respectively.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

18. INVENTORIES

Inventories of the Group are trading stocks.

19. TRADE AND BILLS RECEIVABLES

	Notes	Group 2022 HK$'000	2021 HK$'000
Trade receivables	*(a)*	**452,152**	439,039
Less: Impairment of trade receivables	*(b)*	**(12,285)**	(7,571)
		439,867	431,468
Bills receivables		**15,194**	21,738
		455,061	453,206

Notes:

(a) The Group offers credit terms to certain customers. Trade receivables, which are non-interest-bearing, are recognised and carried at their original invoice amounts less allowances for any uncollectible amounts. The Group does not hold any collateral or other credit enhancements over these balances. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

(b) The movements in the loss allowance of trade receivables are as follows:

	Group 2022 HK$'000	2021 HK$'000
At beginning of financial year	**7,571**	7,271
Impairment losses, net *(note 6)*	**5,746**	6,552
Amount written off as uncollectible	**(633)**	(6,257)
Exchange realignment	**(399)**	5
At end of financial year	**12,285**	7,571

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar geographical regions. The calculation reflects the reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

19. TRADE AND BILLS RECEIVABLES (continued)

Notes: (continued)

(b) (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 30 June 2022

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	**0.06%**	**0.14%**	**0.50%**	**59.7%**	**2.72%**
Gross carrying amount (HK$'000)	**316,724**	**67,665**	**48,070**	**19,693**	**452,152**
Expected credit losses (HK$'000)	**196**	**94**	**243**	**11,752**	**12,285**

As at 30 June 2021

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.17%	0.21%	0.48%	43.42%	1.72%
Gross carrying amount (HK$'000)	317,302	70,132	36,148	15,457	439,039
Expected credit losses (HK$'000)	543	144	173	6,711	7,571

NOTES TO FINANCIAL STATEMENTS

30 June 2022

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

		Group	
	Notes	**2022 HK$'000**	2021 HK$'000
Prepayments		**188,241**	149,549
Contract assets	*(a)*	**15,794**	5,972
Deposits		**4,384**	2,087
Other receivables		**2,178**	688
		210,597	158,296
Current portion included in prepayments, other receivables and other assets		**(182,742)**	(138,010)
Non-current portion		**27,855**	20,286

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to deposits and receivables for which there was no recent history of default. Since the deposits and other receivables are related to receivables which are still current and the payment is not due, the expected credit loss rates of deposits and other receivables are assessed to be minimal.

Note:

(a)

	30 June 2022 HK$'000	30 June 2021 HK$'000	1 July 2020 HK$'000
Contract assets arising from:			
IT infrastructure	**15,794**	5,972	3,387

Contract assets are initially recognised for revenue earned from the IT infrastructure as the receipt of consideration is based on the billing process. Included in contract assets for IT infrastructure are unbilled amounts of revenue. Upon completion of the billing of the revenue from the contract customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2022 and 2021 was the result of the increase in the ongoing sale of IT infrastructure at the end of each of the years.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

Note: (continued)

(a) (continued)

The expected timing of recovery or settlement for contract assets as at 30 June is as follows:

	2022 HK$'000	2021 HK$'000
Within one year	7,955	1,177
After one year	7,839	4,795
Total contract assets	15,794	5,972

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflects the reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

None of the above assets is either past due or impaired. There was no recent history of default for the contract assets. Since the contract assets are related to receivables which are still current and the payment is not due, the expected credit loss rates of contract assets are assessed to be minimal.

21. DERIVATIVE FINANCIAL INSTRUMENT

The Group has entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting under IFRSs. The forward currency contracts are derivatives and are classified as financial assets at fair value through profit or loss and are stated at fair values at the end of the reporting period. The fair values disclosed in these financial statements were based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly (Level 2 of the fair value hierarchy as defined in IFRS 7).

Fair value gain on derivative financial instrument amounting to HK$34,000 (2021: fair value loss of HK$197,000) was credited to profit or loss as "Other revenues, net" in 2022 (2021: charged to other expenses, net).

The fair value of the Group's forward currency contracts is determined by discounting the estimated future cash flows which are based on the terms and conditions of the forward currency contracts, the historical prices of the underlying currencies, the contractual period, discount rate and other factors materially affecting the values of the forward contracts.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the financial instruments (2021: Nil).

NOTES TO FINANCIAL STATEMENTS

30 June 2022

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**125,265**	73,732	**311**	235

At 30 June 2022, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to HK$14,550,000 (2021: HK$35,716,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with major banks in Mainland China, Hong Kong and Singapore with no recent history of default.

23. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

Compusmart Limited ("**Compusmart**") is a wholly-owned subsidiary of the Company, which was incorporated in British Virgin Islands with limited liability and engaged in property holding. As at 30 June 2022, the Group has been actively locating potential independent third party purchasers on the possible disposal of Karin Building through the transfer of equity interest in Compusmart. Accordingly, the assets and liabilities of Compusmart were classified as assets and liabilities held for sale and are presented separately in the consolidated statement of financial position as at 30 June 2022. The major classes of assets and liabilities classified as held for sale as at 30 June 2022 were as follows:

	Note	**2022** **HK$'000**	2021 HK$'000
Property, plant and equipment		**44,458**	44,442
Investment property		**26,100**	27,900
Prepayments, deposits and other receivables		**319**	129
Cash and cash equivalents		**738**	269
Total assets classified as held for sale		**71,615**	72,740
Other payables and accruals		**268**	2,062
Tax payable		**664**	1,475
Deferred tax liabilities	*26*	**1,330**	1,355
Total liabilities directly associated with assets classified as held for sale		**2,262**	4,892
Net assets		**69,353**	67,848

NOTES TO FINANCIAL STATEMENTS

30 June 2022

24. TRADE AND BILLS PAYABLES, OTHER PAYABLES AND ACCRUALS

		Group		Company	
		2022	2021	**2022**	2021
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade and bills payables		**276,827**	283,383	**–**	–
Contract liabilities	*(a)*	**199,838**	158,403	**–**	–
Refund liabilities		**487**	552	**–**	–
Other payables		**12,195**	5,963	**–**	–
Accruals		**21,793**	28,616	**2,356**	3,362
Other payables and accruals		**234,313**	193,534	**2,356**	3,362
		511,140	476,917	**2,356**	3,362
Current portion included in trade and bills payables, other payables and accruals		**(490,000)**	(460,819)	**(2,356)**	(3,362)
Non-current portion		**21,140**	16,098	**–**	–

The trade and bills payables and other payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

(a) Details of contract liabilities are as follows:

	30 June 2022	30 June 2021	1 July 2020
	HK$'000	HK$'000	HK$'000
Advances received from customers			
Sales of goods	**62,894**	51,403	41,720
Provision of professional and warranty services	**136,944**	107,000	91,835
	199,838	158,403	133,555

Contract liabilities include advances received to sell the goods and render professional and warranty services. The increase in contract liabilities in 2022 and 2021 was mainly due to the increase in advances received from customers in relation to provision of professional and warranty services at the end of the years.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022		2021	
	Maturity	HK$'000	**Maturity**	HK$'000
Current				
Lease liabilities *(note 13(b))*	**2022**	**103**	2021	98
Bank loans, unsecured	**2022**	**242,993**	2021	130,743
Bank overdraft	**On demand**	**1,514**	On demand	3,019
		244,610		133,860
Non-current				
Lease liabilities *(note 13(b))*	**2024**	**63**	2024	166
		244,673		134,026

The Group's bank loans bear interest at floating rates ranging from 0.9% to 1.7% (2021: 0.7% to 1.6%) per annum.

Except for bank overdraft denominated in Singapore dollars, all the bank and other borrowings of the Group as at 30 June 2022 were denominated in Hong Kong dollars and United States dollars (2021: Hong Kong dollars). At 30 June 2022, bank borrowings of HK$244,507,000 (2021: HK$133,762,000) were covered by cross corporate guarantees given by the Company and certain of its subsidiaries.

26. DEFERRED TAX

The movements in deferred tax assets and liabilities of the Group during the year are as follows:

	Notes	Assets provision HK$'000	Losses available for offsetting against future taxable profits HK$'000	Tax depreciation allowance in excess of related depreciation HK$'000	Withholding taxes HK$'000	Total HK$'000
At 1 July 2020		2,482	6,041	(2,836)	–	5,687
Deferred tax credited/(charged) to profit or loss during the year	*8*	(772)	542	145	–	(85)
Reclassification to liabilities directly associated with assets classified as held for sale	*23*	–	–	1,355	–	1,355
Exchange realignment		(33)	–	14	–	(19)
At 30 June 2021 and at 1 July 2021		**1,677**	**6,583**	**(1,322)**	**–**	**6,938**
Deferred tax credited/(charged) to profit or loss during the year	*8*	**1,806**	**(1,735)**	**572**	**(7,382)**	**(6,739)**
Reclassification to liabilities directly associated with assets classified as held for sale	*23*	**–**	**–**	**(25)**	**–**	**(25)**
Exchange realignment		**22**	**–**	**(6)**	**227**	**243**
At 30 June 2022		**3,505**	**4,848**	**(781)**	**(7,155)**	**417**

NOTES TO FINANCIAL STATEMENTS

30 June 2022

26. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022	2021
	HK$'000	HK$'000
Deferred tax assets	**7,342**	7,542
Deferred tax liabilities	**(6,925)**	(604)
Net deferred tax assets	**417**	6,938

Notes:

(a) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 30 June 2022, deferred tax liabilities of HK$7,382,000 has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China.

(b) At 30 June 2022, deferred tax assets have not been recognised in respect of unused tax losses of HK$51,307,000 (2021: HK$36,311,000) as they have arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised. Out of this amount, unrecognised tax losses of HK$10,117,000 (2021: HK$6,651,000) will expire in five years.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

27. SHARE CAPITAL

(i) SHARES

	Group and Company 2022 HK$'000	2021 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	**1,000,000**	1,000,000
Issued and fully paid:		
214,760,000 (2021: 214,760,000) ordinary shares of HK$0.1 each	**21,476**	21,476

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 July 2020, 30 June 2021, 1 July 2021 and 30 June 2022	**214,760,000**	**21,476**	**45,885**	**67,361**

(ii) TREASURY SHARES

There was no movement in the Group's and the Company's treasury shares during the current and prior years:

	Number of shares	Amount HK$'000
At 1 July 2020, 30 June 2021, 1 July 2021 and 30 June 2022	**12,000**	**19**

NOTES TO FINANCIAL STATEMENTS

30 June 2022

28. SHARE OPTION SCHEMES AND SHARE PERFORMANCE PLAN

(A) Share option schemes

The Company operates the 2005 Karin Employee Share Option Scheme (the "**2005 ESOS**") for the purpose of providing incentives and rewards to eligible participants who have contributed significantly to the growth and performance of the Group. Eligible participants of the 2005 ESOS include the Company's directors, including independent directors, and other employees of the Group.

The offer of a grant of share options may be accepted within 30 days after the relevant offer date by completing, signing and returning to the Company the acceptance form accompanied by payment of HK$1.00 as consideration by the grantee. The exercise period of the share options granted at market price commences at any time after the first anniversary from the offer date of that option and the exercise period of the share options granted at below market price commences at any time after the second anniversary from the offer date of that option, provided that the options shall be exercised before the tenth anniversary of the relevant offer date, except that the options granted to independent directors shall be exercised before the fifth anniversary of the relevant offer date, or an earlier date as may be determined by the committee of the Scheme (the "**Committee**").

The exercise price of the share option is determined by the Committee at its absolute discretion and fixed by the Committee at (i) the average last dealt price for the Company's shares determined by reference to the daily official lists published by the SGX-ST for the five consecutive trading days immediately prior to the relevant offer date (the "**Price**"), or (ii) a price which is set at a discount of not exceeding 20% of the Price and approved by the shareholders at a general meeting in a separate resolution in respect of that option. The aggregate number of shares in respect of which options may be offered to a grantee for subscription in accordance with the Scheme shall be determined at the absolute discretion of the Committee.

Pursuant to a resolution passed at the annual general meeting held on 9 October 2014, the 2005 ESOS was cancelled and the 2014 Karin Employee Share Option Scheme (the "**2014 ESOS**") has been adopted. There is no material difference between the terms of the 2005 ESOS and the 2014 ESOS, save that the definition of "eligible participants" and necessary modification and/or amendments have been made pursuant to the Listing Manual of the SGX-ST. The purpose of the 2014 ESOS is to replace the 2005 ESOS and to enable the Company to give recognition to the contributions made by eligible participants towards the success and continued well- being of the Group. Upon the termination of the 2005 ESOS, no further share options will be granted under the 2005 ESOS, and there was no outstanding and unexercised option as at 30 June 2021 as all share options granted pursuant to the 2005 ESOS were either exercised or lapsed. Since the adoption of the 2014 ESOS and during the year, no share option was granted pursuant to the 2014 ESOS and no share options was exercised.

Share options do not confer rights on the holders either to dividends, or to vote at shareholders' meetings.

The share options granted by the Company in the prior years were fully vested to the grantees as at 1 July 2011. Therefore, no equity-settled share option expense was recognised in profit or loss in the current and prior years.

At the end of the reporting period, the Company had no (2021: Nil) share options outstanding under the 2005 ESOS.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

28. SHARE OPTION SCHEMES AND SHARE PERFORMANCE PLAN (continued)

(B) Performance share plan

The Company operates the 2010 Karin Performance Share Plan (the "**2010 KPSP**") for the purpose of promoting higher performance goals and recognising exceptional achievement. Eligible participants of the 2010 KPSP include the Company's directors, including independent directors, and other employees of the Group (the "**Selected Employee**").

When a Selected Employee has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the 2010 KPSP and becomes entitled to the shares of the Company forming the subject of the 2010 KPSP.

The 2010 KPSP was expired on 21 October 2020. At the annual general meeting held on 23 October 2020, the 2020 Karin Performance Share Plan (the "**2020 KPSP**") has been adopted, subject to a maximum period of 10 years commencing on 23 October 2020. There is no material difference between the terms of the 2010 KPSP and the 2020 KPSP.

The fair value of the share granted will be based on the market value of the Company's shares at the grant date.

Since the adoption, no shares were granted under the 2010 KPSP and 2020 KPSP.

29. RESERVES

(a) GROUP

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(i) The Group's contributed surplus represents the difference between the aggregate of the nominal value of issued share capital and the balance of the contributed surplus account the Company acquired, and the nominal value of the shares of the Company issued in exchange therefor, pursuant to a group restructuring completed in prior years.

(ii) In accordance with the relevant PRC regulations, each of the Group's PRC subsidiaries is required to transfer not less than 10% of its profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the general reserve until such reserve reaches 50% of its registered capital. The quantum of the annual transfer is subject to the approval of the respective boards of directors of the PRC subsidiaries in accordance with their respective articles of association.

(iii) The Group's other reserve represents the difference between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid to acquire additional interest in a subsidiary.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

29. RESERVES (continued)

(b) COMPANY

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2020		45,885	36,311	19,425	101,621
Profit for the year and total comprehensive income for the year		–	–	15,971	15,971
Final 2020 dividend paid		–	–	(9,878)	(9,878)
Interim 2021 dividend paid	9	–	–	(6,013)	(6,013)
At 30 June 2021 and at 1 July 2021		**45,885**	**36,311**	**19,505**	**101,701**
Profit for the year and total comprehensive income for the year		**–**	**–**	**50,031**	**50,031**
Final 2021 dividend paid	9	**–**	**–**	**(23,193)**	**(23,193)**
Interim 2022 dividend paid	9	**–**	**–**	**(27,487)**	**(27,487)**
At 30 June 2022		**45,885**	**36,311**	**18,856**	**101,052**

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) MAJOR NON-CASH TRANSACTIONS

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$26,002,000 (2021: HK$3,192,000) and HK$24,609,000 (2021: HK$3,192,000), respectively, in respect of lease arrangements for office premises.

(b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank loans HK$'000	Lease liabilities HK$'000
At 1 July 2020	85,183	1,305
Changes from financing cash flows	45,560	(1,329)
New leases	–	3,192
Termination of leases	–	(462)
Remeasurement on rent concession	–	(63)
Interest expense	–	36
Interest paid classified as operating cash flows	–	(36)
At 30 June 2021 and 1 July 2021	**130,743**	**2,643**
Changes from financing cash flows	**112,250**	**(6,595)**
New leases	**–**	**24,609**
Exchange realignment	**–**	**16**
Interest expense	**–**	**340**
Interest paid classified as operating cash flows	**–**	**(340)**
At 30 June 2022	**242,993**	**20,673**

NOTES TO FINANCIAL STATEMENTS

30 June 2022

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) TOTAL CASH OUTFLOW FOR LEASES

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 **HK$'000**	2021 HK$'000
Within operating activities	**2,410**	2,126
Within financing activities	**6,595**	1,329
	9,005	3,455

31. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

	Group		Company	
	2022 **HK$'000**	2021 HK$'000	**2022** **HK$'000**	2021 HK$'000
Bank guarantee given in lieu of a utility deposit	**–**	207	**–**	–
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**700,000**	700,000
Guarantees given to suppliers in connection with credit facilities granted to subsidiaries	**–**	–	**711,177**	480,300
	–	207	**1,411,177**	1,180,300

As at 30 June 2022, the guarantees given to banks and suppliers by the Company in connection with facilities granted to subsidiaries were utilised to the extent of approximately HK$244,507,000 (2021: HK$133,762,000) and HK$120,336,000 (2021: HK$99,715,000), respectively.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

32. RELATED PARTY DISCLOSURES

(a) TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Other than the related party transactions and balances disclosed elsewhere in these financial statements, the Group had no material transaction with related parties during the year and at the end of the reporting period.

(b) REMUNERATION OF DIRECTORS

	2022 **HK$'000**	2021 HK$'000
Fees	**860**	842
Other emoluments	**5,885**	6,340
	6,745	7,182

(c) COMPENSATION OF KEY MANAGEMENT PERSONNEL (INCLUDING DIRECTORS' REMUNERATION AS DISCLOSED IN (B) ABOVE) OF THE GROUP

	2022 **HK$'000**	2021 HK$'000
Short term employee benefits	**17,516**	14,872
Post-employment benefits	**144**	144
	17,660	15,016

Other than the foregoing, there were no principal interested party relationships where control over financial and operating policies existed as at the end of the reporting period.

In the opinion of the directors, the above related party transactions were entered into in the ordinary course of the Group's business and were in accordance with the terms of arrangements governing the transactions.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

AT 30 JUNE 2022

	Group			Company
	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000	Financial assets at amortised cost HK$'000
Financial assets				
Trade and bills receivables	–	455,061	455,061	–
Financial assets included in prepayments, other receivables and other assets	–	6,562	6,562	–
Financial asset at fair value through profit or loss	1,445	–	1,445	–
Amounts due from subsidiaries	–	–	–	50,498
Cash and cash equivalents	–	125,265	125,265	311
	1,445	586,888	588,333	50,809

	Group			Company
	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000	Financial liabilities at amortised cost HK$'000
Financial liabilities				
Trade payables	–	276,827	276,827	–
Financial liabilities included in other payables and accruals	–	17,895	17,895	286
Interest-bearing bank and other borrowings other than lease liabilities	–	244,507	244,507	–
Derivative financial instrument	18	–	18	–
Amount due to a subsidiary	–	–	–	2,254
Lease liabilities	–	20,673	20,673	–
	18	559,902	559,920	2,540

NOTES TO FINANCIAL STATEMENTS

30 June 2022

33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

AT 30 JUNE 2021

	Group			Company
	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000	Financial assets at amortised cost HK$'000
Financial assets				
Trade and bills receivables	–	453,206	453,206	–
Financial assets included in prepayments, other receivables and other assets	–	2,775	2,775	–
Financial asset at fair value through profit or loss	1,218	–	1,218	–
Amounts due from subsidiaries	–	–	–	52,637
Cash and cash equivalents	–	73,732	73,732	235
	1,218	529,713	530,931	52,872

	Group			Company
	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000	Financial liabilities at amortised cost HK$'000
Financial liabilities				
Trade payables	–	283,383	283,383	–
Financial liabilities included in other payables and accruals	–	10,254	10,254	262
Interest-bearing bank and other borrowings other than lease liabilities	–	133,762	133,762	–
Derivative financial instrument	52	–	52	–
Amount due to a subsidiary	–	–	–	2,662
Lease liabilities	–	2,643	2,643	–
	52	430,042	430,094	2,924

Since the carrying amounts of the Group's financial instruments approximate to their fair values, no separate disclosure of the fair values of the Group's financial instruments is made in these financial statements.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly comprise interest-bearing bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, financial assets included in prepayments, other receivables and other assets, financial asset at fair value through profit or loss, trade and other payables, financial liabilities included in other payables and accruals, and derivative financial instrument which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are (a) interest rate risk, (b) foreign currency risk, (c) credit risk and (d) liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank balances with floating interest rates and the interest-bearing bank and other borrowings. The Group monitors the movements in interest rates on an ongoing basis and evaluates the exposure for its bank balances.

(b) FOREIGN CURRENCY RISK

The Group's exposure to market risk for changes in foreign currency exchange rate relates primarily to certain trade receivables and payables and certain bank balances denominated in currencies other than the units' functional currencies. The Group uses foreign currency forward contracts to reduce its foreign currency risk, but the transactions do not qualify for hedge accounting in accordance with IAS 39. Further details of the forward currency contracts are set out in note 21 to the financial statements.

(c) CREDIT RISK

The carrying amounts of trade receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets. The Group has no significant concentration of credit risk in relation to trade receivables due to the Group's large customer base. Concentrations of credit risk are analysed by customer/counterparty, by geographical region and by industry sector. The Group performs ongoing credit evaluations of its customers' financial condition and requires no collateral from its customers.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) CREDIT RISK (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 30 June. The amounts presented are gross carrying amounts for financial assets.

As at 30 June 2022

	ECLs	12-month Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables*	–	–	–	452,152	452,152
Bills receivables**	15,194	–	–	–	15,194
Contract assets*	–	–	–	15,794	15,794
Financial assets included in prepayments, other receivables and other assets					
– Normal**	6,562	–	–	–	6,562
Cash and cash equivalents					
– Not yet past due	125,265	–	–	–	125,265
	147,021	–	–	467,946	614,967

As at 30 June 2021

	ECLs	12-month Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables*	–	–	–	439,039	439,039
Bills receivables**	21,738	–	–	–	21,738
Contract assets*	–	–	–	5,972	5,972
Financial assets included in prepayments, other receivables and other assets					
– Normal**	2,775	–	–	–	2,775
Cash and cash equivalents					
– Not yet past due	73,732	–	–	–	73,732
	98,245	–	–	445,011	543,256

NOTES TO FINANCIAL STATEMENTS

30 June 2022

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) CREDIT RISK (continued)

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 19 and 20 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets and bills receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

(d) LIQUIDITY RISK

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group adopts a prudent liquidity risk management which implies maintaining sufficient cash and the ability to apply for bank loan facilities if necessary.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2022				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	–	276,827	–	–	276,827
Financial liabilities included in other payables and accruals	–	–	17,895	–	17,895
Interest-bearing bank and other borrowings other than lease liabilities	1,514	242,993	–	–	244,507
Derivative financial instrument	–	18	–	–	18
Lease liabilities	–	2,652	7,676	10,788	21,116
	1,514	522,490	25,571	10,788	560,363

NOTES TO FINANCIAL STATEMENTS

30 June 2022

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) LIQUIDITY RISK (continued)

	2021				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	–	283,383	–	–	283,383
Financial liabilities included in other payables and accruals	–	–	10,254	–	10,254
Interest-bearing bank and other borrowings other than lease liabilities	3,019	130,743	–	–	133,762
Derivative financial instrument	–	52	–	–	52
Lease liabilities	–	352	914	1,415	2,681
Guarantees given to banks for utility deposits	207	–	–	–	207
	3,226	414,530	11,168	1,415	430,339

The Company's financial liabilities as at 30 June 2022, based on the contractual undiscounted payments, of approximately HK$2,540,000 (2021: HK$2,924,000) would mature within one year. Further details of the financial liabilities of the Company are set out in note 33 to the financial statements. The balances due within one year from the end of the reporting period approximate to their carrying balances as the impact of the discount is not significant. In addition, the Company is also exposed to liquidity risk through the granting of financial guarantees. At 30 June 2022, the Company had guarantees given to banks and suppliers in connection with facilities granted to subsidiaries which were utilised as to an aggregate of HK$364,843,000 (2021: HK$233,477,000) and repayable on demand, further details of which are disclosed in note 31 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

30 June 2022

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, repurchase its own shares or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2022 and 2021.

The Group monitors its capital using a gearing ratio, which is interest-bearing bank and other borrowings divided by the total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2022	2021
	HK$'000	HK$'000
Interest-bearing bank and other borrowings	**244,673**	134,026
Total equity	**422,950**	455,782
Gearing ratio	**0.58**	0.29

35. EVENT AFTER THE REPORTING PERIOD

On 8 August 2022, the Group had granted an "Option to Purchase" to an independent third party to dispose of a property of the Group in Singapore for a cash consideration of S$4.3 million and is expected to result in a gain on disposal of approximately S$618,000.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 September 2022.

FINANCIAL SUMMARY

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below. This summary does not form part of the audited financial statements.

	Year ended 30 June				
	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
REVENUE	**1,992,562**	1,875,571	1,766,383	1,800,564	2,013,340
Cost of sales	**(1,815,937)**	(1,701,935)	(1,620,578)	(1,620,818)	(1,851,051)
Gross profit	**176,625**	173,636	145,805	179,746	162,289
Other income and gains, net	**18,552**	16,126	9,143	7,067	14,512
Selling and distribution costs	**(68,795)**	(76,566)	(66,268)	(74,925)	(65,223)
Administrative expenses	**(76,839)**	(67,246)	(62,574)	(68,356)	(74,055)
Other expenses, net	**(8,443)**	(7,623)	(16,061)	(2,837)	(63)
Finance costs	**(3,169)**	(1,393)	(3,099)	(4,827)	(3,446)
Share of profits and losses of associates	**1,606**	162	993	956	135
PROFIT BEFORE TAX	**39,537**	37,096	7,939	36,824	34,149
Income tax expense	**(20,824)**	(6,035)	(2,931)	(4,510)	(6,879)
PROFIT FOR THE YEAR	**18,713**	31,061	5,008	32,314	27,270
Profit for the year attributable to:					
Owners of the Company	**20,418**	32,435	4,800	32,304	28,000
Non-controlling interests	**(1,705)**	(1,374)	208	10	(730)
	18,713	31,061	5,008	32,314	27,270
Earnings before interest, tax, depreciation and amortisation	**61,467**	49,291	22,688	53,711	54,712
Core profit after tax (*)	**36,038**	31,542	17,111	38,852	25,652

(*) Profit for the year before the following:
- exchange (gain)/loss;
- (reversal of impairment)/impairment of trade receivables;
- write-down/(reversal of write-down) and write-off of obsolete inventories to net realisable value;
- fair value losses/(gains) on investment properties;
- fair value losses/(gains) on financial asset at fair value through profit or loss;
- fair value losses on derivative financial instrument;
- loss/(gain) on disposal of items of property, plant and equipment; and
- loss on disposal of an associate.

FINANCIAL SUMMARY

FIVE YEAR FINANCIAL SUMMARY (continued)

	As at 30 June				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**122,902**	107,209	168,322	188,487	173,840
Current assets	**1,094,345**	972,955	726,736	777,821	723,894
Current liabilities	**(755,585)**	(606,278)	(458,976)	(509,808)	(448,421)
Net current assets	**338,760**	366,677	267,760	268,013	275,473
Total assets less current liabilities	**461,662**	473,886	436,082	456,500	449,313
Non-current liabilities	**(38,712)**	(18,104)	(8,846)	(4,526)	(11,296)
Net assets	**422,950**	455,782	427,236	451,974	438,017
Equity attributable to owners of the Company	**426,448**	457,603	427,700	452,662	439,264
Non-controlling interests	**(3,498)**	(1,821)	(464)	(688)	(1,247)
Total equity	**422,950**	455,782	427,236	451,974	438,017
Debtors turnover days	**83.2**	77.2	76.6	84.5	74.5
Creditors turnover days	**56.8**	51.8	46.1	48.6	41.3
Inventories turnover days	**49.5**	43.3	39.0	41.3	32.1

STATISTICS OF SHAREHOLDINGS

STATISTICS OF SHAREHOLDERS AS AT 15 SEPTEMBER 2022

Authorised share capital	:	HK$1,000,000,000
Issued and Fully Paid-up Capital	:	HK$21,476,000.00
Total number of issued shares excluding treasury shares and subsidiary holdings	:	214,748,000
Total number of treasury shares held	:	12,000
Number of subsidiary holdings held	:	Nil
Percentage of treasury shares and subsidiary holdings held against the total number of issued shares	:	0.0056%
Class of Shares	:	Ordinary share of HK$0.10 each
Voting Rights	:	One Vote per ordinary share The Company cannot exercise any voting rights in respect of ordinary shares held by it as treasury shares.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Ordinary Shareholders	% of Holders	No. of Shares (excluding treasury shares)	% of Shares*
1 – 99	–	–	–	–
100 – 1,000	94	15.24	78,200	0.04
1,001 – 10,000	200	32.41	1,244,000	0.58
10,001 – 1,000,000	308	49.92	22,197,400	10.33
1,000,001 and above	15	2.43	191,228,400	89.05
TOTAL	617	100.00	214,748,000	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 15 September 2022)

	Direct Interest		Deemed Interests	
Name	No. of shares held	%*	No. of shares held (excluding treasury shares)	%*
Asia Platform Investment Limited	70,639,950	32.89	–	–
Kikki Investment Ltd	70,639,950	32.89	–	–
Ng Yuk Wing, Philip	–	–	72,151,950[(1) (3)]	33.60
Ng Mun Kit, Michael	–	–	70,639,950[(1)]	32.89
Ng Kin Wing, Raymond	–	–	70,639,950[(2)]	32.89
Ng Eng Seng	17,220,200	8.02	–	–

STATISTICS OF SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Notes:–

(1) Asia Platform Investment Limited is an investment holding company which is owned by Mr. Ng Mun Kit, Michael and Mr. Ng Yuk Wing, Philip. Asia Platform Investment Limited holds 70,639,950 ordinary shares in the Company.

(2) Kikki Investment Ltd is an investment holding company which is directly wholly-owned by Mr. Ng Kin Wing, Raymond. Kikki Investment Ltd holds 70,639,950 ordinary shares in the Company.

(3) Mr. Ng Yuk Wing, Philip is deemed to be interested in the 1,512,000 ordinary shares held by Mdm Leung Tak Ching, the spouse of Mr. Ng Yuk Wing, Philip.

* Percentages are calculated based on the total number of issued shares, excluding treasury Shares and subsidiary holdings, as at 15 September 2022.

LIST OF 20 LARGEST SHAREHOLDERS

NO.	SHAREHOLDERS NAME	NUMBER OF SHARES HELD	%*
1	Asia Platform Investment Limited	70,639,950	32.89
2	Kikki Investment Ltd	70,639,950	32.89
3	Ng Eng Seng	18,515,500	8.62
4	DBS Nominees Pte Ltd	7,175,700	3.34
5	DB Nominees (Singapore) Pte Ltd	6,250,000	2.91
6	Seet Christina	4,000,000	1.86
7	Wee Hian Kok	2,690,000	1.25
8	Cheng Kim Man Edwin	2,000,000	0.93
9	Ng Hock Kon	1,800,000	0.84
10	Leung Tak Ching	1,512,000	0.70
11	Lim Mee Hwa	1,350,000	0.63
12	Tan Ming Kirk Richard	1,350,000	0.63
13	OCBC Securities Private Ltd	1,151,300	0.54
14	Phillip Securities Private Ltd	1,103,800	0.51
15	Seah Kun Liap	1,050,000	0.49
16	Kim Soo Koong	1,000,000	0.47
17	Raffles Nominees (Pte) Limited	883,325	0.41
18	Lai Weng Kay	797,000	0.37
19	Yeo Whee Kiak	650,000	0.30
20	DBS Vickers Securities (Singapore) Pte Ltd	620,000	0.29
	Total	195,178,725	90.88

* Percentage is based on 214,748,000 Shares (excluding shares held as treasury shares and subsidiary holdings) as at 15 September 2022.

STATISTICS OF SHAREHOLDINGS

TREASURY SHARES

Number of ordinary shares purchased and held in treasury shares as at 15 September 2022: 12,000.

Percentage of such holding against the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings): 0.0056%.

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

Based on information available and to the best knowledge of the Company as at 15 September 2022, approximately 25.44%* of the ordinary shares of the Company are held by the public. The Company is therefore in compliance with Rule 723 of the SGX-ST Listing Manual.

* Percentages are calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) as at 15 September 2022.

INFORMATION ABOUT INVESTMENT PROPERTIES HELD AND PROPERTY HELD FOR SALE

MAJOR PROPERTIES HELD FOR INVESTMENT PURPOSE:

Location	Purpose of property	Tenure of land	Term of lease
5th Floor, Karin Building, No. 166 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	Office premises	Leasehold	The properties are held from the government for a term of 21 years renewable for 14 years commencing on 1 July 1962, which has been statutorily extended to 30 June 2047.
No. 3 Ang Mo Kio Street 62 #01-40 Link@AMK Singapore 569139*	One unit of 3-Storey terrace factory. Level 3 is currently rented out.	Leasehold	The property is under a term of 60 years commencing from 28 June 2011 and expiring on 27 June 2071 registered under Karsing Pte Ltd, an indirectly wholly-owned subsidiary of Karin Technology Holdings Limited.

* An Option To Purchase was granted and accepted by a purchaser. For further details, please refer to the announcements dated 12 August 2022 and 22 August 2022.

PROPERTY HELD FOR SALE

Description and location	Existing use	Tenure	Gross Floor Area (square metre)	Ownership 2022 (%)	Ownership 2021 (%)
Whole Block of Karin Building, No.166 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	Industrial	Leasehold	6,059.6	100	100

NOTICE OF ANNUAL GENERAL MEETING

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

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be convened and held by way of electronic means on Thursday, 27 October 2022 at 10.00 a.m. (Singapore time) to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2022 together with the Directors' Report and the Auditor's Report thereon. **(Resolution 1)**

2. To approve a final dividend of HK11.8 cents per ordinary share for the financial year ended 30 June 2022. **(Resolution 2)**

3. To approve Directors' Fees of HK$860,000 for the financial year ended 30 June 2022. **(Resolution 3)**

4. To re-elect Mr. Kuan Cheng Tuck, a director who is retiring pursuant to Bye-law 86 of the Company's Bye-laws and, being eligible, offer himself for re-election. *(See Explanatory Note 1)* **(Resolution 4)**

5. To re-elect Mr. Ng Kin Wing, Raymond, a director who is retiring pursuant to Bye-law 86 of the Company's Bye-laws and, being eligible, offer himself for re-election. *(See Explanatory Note 1)* **(Resolution 5)**

6. To appoint Messrs. Ernst & Young LLP, Singapore as the Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young, Hong Kong, to hold the office until the conclusion of the next Annual General Meeting and to authorise the Directors of the Company to fix their remuneration. *(See Explanatory Note 2)* **(Resolution 6)**

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions, with or without modifications:

7. Authority to allot and issue shares **(Resolution 7)**

"That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

Adjustments in accordance with (i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this resolution.

NOTICE OF ANNUAL GENERAL MEETING

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
(See Explanatory Note 3)

8. Authority to allot and issue Shares under the Karin Performance Share Plan **(Resolution 8)**

"That the Directors of the Company be and are hereby authorised to grant awards in accordance with the provisions of the Karin Performance Share Plan (the "**Plan**") and to allot and issue such number of fully paid Shares from time to time as may be required to be issued pursuant to the vesting of awards under the Plan provided always that the aggregate number of Shares to be issued pursuant to the Plan and all share awards or share options granted under any other schemes implemented by the Company (if any) shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier." *(See Explanatory Note 4)*

9. Authority to grant options and issue shares under the 2014 Karin Employee Share Option Scheme **(Resolution 9)**

"That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the 2014 Karin Employee Share Option Scheme ("**2014 ESOS**") and to allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of the options under the 2014 ESOS provided always that the aggregate number of shares to be issued pursuant to the 2014 ESOS shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings)in the capital of the Company from time to time." *(See Explanatory Note 5)*

10. Authority to Grant Options at a Discount under the 2014 Karin Employee Share Option Scheme **(Resolution 10)**

"That, subject to and contingent upon the passing of Resolution 9, the Directors of the Company be and are hereby authorised to offer and grant Options in accordance with the provisions of the 2014 Karin Employee Share Option Scheme ("**2014 ESOS**") to participants with exercise prices set at a discount to the Market Price (as defined in the Appendix dated 24 September 2014) subject to the following conditions:

(a) the maximum discount shall not exceed 20% of the market price, which is the average of the last dealt prices for a Share as determined by reference to the daily official list or any other publication published by the SGX-ST for five (5) consecutive market days immediately prior to the relevant date of offer of the option to a participant of the 2014 ESOS (as determined in accordance with the rules of the 2014 ESOS); and

(b) in no event shall the exercise price be less than the nominal value of each Share."

NOTICE OF ANNUAL GENERAL MEETING

11. Proposed renewal of the Share Buyback Mandate **(Resolution 11)**

"That:

(a) pursuant to the Bye-laws, the Companies Act 1981 of Bermuda (the "**Companies Law**") and the Listing Manual of the SGX-ST, approval be and is hereby given for the renewal of the Share Buyback Mandate (as hereinafter defined) and the Directors be authorised to exercise all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined) whether by way of:

(i) on-market purchase(s) ("**Market Purchases**"), transacted on the SGX-ST through its ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchase(s) ("**Off-Market Purchases**") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit and in the interests of the Company, which scheme(s) shall satisfy all the conditions prescribed by the Bye-laws and the Listing Manual,

and otherwise in accordance with other laws and regulations (the "**Share Buyback Mandate**"); and

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the proposed Share Buyback Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Companies Law;

(c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this resolution and expiring on the earlier of:

(i) the date on which the Annual General Meeting is held or required by law or the Bye-laws to be held;

(ii) the date on which Share purchases or acquisitions pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buyback Mandate is varied or revoked at a general meeting,

(the "**Relevant Period**").

NOTICE OF ANNUAL GENERAL MEETING

In this resolution:

"**Prescribed Limit**" means 10% of the issued ordinary share capital of the Company as at the date of passing of this resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Law, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time); and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase: 105% of the Average Closing Price (as hereinafter defined); and

(ii) in the case of an Off-Market Purchase: 120% of the Highest Last Dealt Price (as hereinafter defined), where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or any of them may consider expedient, necessary, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this resolution." *(See Explanatory Note 6)*

12. To transact any other business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Wong Chi Cheung, Clarence
Chan Lai Yin
Joint Company Secretaries

Singapore, 12 October 2022

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Businesses to be Transacted: –

1. Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the detailed information of each Mr. Kuan Cheng Tuck and Mr. Ng Kin Wing, Raymond, who is seeking re-election as a Director of the Company at the Annual General Meeting can be found under "Supplemental Information on Directors seeking re-election" to the annual report.

2. The Ordinary Resolution 6 proposed above is to approve the appointment of Messrs. Ernst & Young LLP, Singapore ("E&Y SG") as Auditors of the Company in place of the retiring Auditors Messrs. Ernst & Young, Hong Kong ("E&Y HK").

   The Board is of the view that a change of Auditors to E&Y SG, would be appropriate for the purpose of compliance with Rule 712 of the Listing Manual read with Rule 712(2A) of the Listing Manual. The appointment would meet the requirements of Rule 712(2)(a) of the Listing Manual and obliviate the requirement to appoint an additional auditing firm under Rule 712(2A) of the Listing Manual.

   Further, the Board is of the view that appointing joint auditors, rather than a single auditor, would incur additional work, time and cost without material added value to the Shareholders as the scope of audit services to be provided by E&Y HK will be the same as to those provided by E&Y SG. Appointing E&Y SG solely will enhance the efficiency of the audit and is more cost efficient and beneficial to the Company and Shareholders as a whole. Therefore, the Board is of the opinion that it is in the best interest of the Company to appoint E&Y SG.

   Please refer to the appendix attached to the annual report for more information relating to Resolution 6.

   In accordance with the requirements of Rule 1203(5) of the Listing Manual:

   (a) the outgoing Auditor, E&Y HK, has confirmed that it is not aware of any professional reasons why the new Auditor, E&Y SG, should not accept appointment as auditor of the Company;

   (b) the Company confirms that there were no disagreements with the outgoing Auditor, E&Y HK, on accounting treatments within the last 12 months;

   (c) the Company confirms that, other than as set out above, it is not aware of any circumstances connected with the proposed change of auditor that should be brought to the attention of Shareholders;

   (d) the specific reasons for the Proposed Change of Auditors has been disclosed above. The Proposed Change of Auditors is neither due to the resignation of E&Y HK as Auditors of the Company, nor due to E&Y HK declining to stand for re-appointment nor due to the dismissal of E&Y HK as Auditors of the Company; and

   (e) the Company confirms that it is or will be in compliance with Rule 712, and Rule 715(2), and Rule 716(1) of the Listing Manual in relation to the appointment of E&Y SG as the Auditor of the Company.

NOTICE OF ANNUAL GENERAL MEETING

3. Resolution 7, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company. The aggregate number of Shares (including any Shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed 50% of the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed 20% of Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue Shares pursuant to any Instrument made or granted under this authority.

4. Resolution 8, if passed, will empower the Directors, from the date of the above meeting until the next Annual General Meeting, to grant awards and to allot and issue such number of fully paid Shares from time to time as may be required to be issued pursuant to the Plan, provided that the aggregate number of Shares to be issued pursuant to the Plan and all share awards or share options granted under any other schemes implemented by the Company (if any) shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time.

5. Resolution 9, if passed, will empower the Directors of the Company to offer and grant options under the 2014 ESOS and to allot and issue shares pursuant to the exercise of such options under the 2014 ESOS not exceeding 15% of the total number of issued shares (excluding treasury Shares and subsidiary holdings) in the capital of the Company from time to time.

6. Resolution 11, if passed, will empower the Directors, from the date of the above meeting until the next Annual General Meeting, to repurchase Shares by way of Market Purchases or Off-Market Purchases of up to 10% of the issued ordinary share capital of the Company at such price up to the Maximum Price. Information relating to this proposed resolution is set out in the appendix attached to the annual report.

NOTICE OF ANNUAL GENERAL MEETING

RECORD DATE

Subject to approval of members at the Annual General Meeting, the Register of Members and Share Transfer Books of Karin Technology Holdings Limited (the "**Company**") will be closed on 1 November 2022, for the preparation of dividend warrants to the proposed final dividend of HK11.8 cents per ordinary share for the financial year ended 30 June 2022 ("**Final Dividend**").

Duly completed registrable transfers in respect of the shares in the Company received up to 5:00 p.m. on 31 October 2022 ("**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 Final Dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5:00 p.m. on the Record Date will be entitled to the Final Dividend.

The Proposed Final Dividend, if approved at the Annual General Meeting, will be paid on 17 November 2022.

Notes:

1. The Annual General Meeting ("**AGM**") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the Company's website at the URL https://karingroup.com/2022agm. This Notice will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

2. The Company is arranging for a live webcast and live audio feed of the AGM proceedings (the "**Live AGM Webcast**" or "**Live AGM Audio Feed**") which will take place on Thursday, 27 October 2022 at 10.00 a.m. in place of the physical AGM. Members will be able to watch or listen to the AGM proceedings through the Live AGM Webcast or the Live AGM Audio Feed, and the Company will not accept any physical attendance by members. Any member seeking to attend the AGM physically in person will be turned away.

   Alternative arrangements have been put in place to allow members to participate in the AGM by:

   (a) observing the proceedings of the AGM via Live AGM Webcast or Live AGM Audio Feed;

   (b) submitting questions relating to the resolutions to be tabled at the AGM in advance of the AGM;

   (c) submitting text-based questions during the LIVE WEBCAST of the AGM;

   (d) appointing proxy(ies) to attend and vote on their behalf at the AGM; and

   (e) participating in the live voting during the Live AGM Webcast or Live AGM Audio Feed.

   This notice may be accessed at the Company's website at the URL https://karingroup.com/2022agm and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements. For the avoidance of doubt, the aforesaid section is circulated together with and forms part of this Notice of AGM.

NOTICE OF ANNUAL GENERAL MEETING

Live AGM Webcast and Live AGM Audio Feed:

1. Members may watch or listen to the AGM proceedings through the Live AGM Webcast or the Live AGM Audio Feed. To do so, members will need to pre-register at https://karingroup.com/2022agm ("**Registration Link**") by 10.00 a.m. on 24 October 2022 (the "**Registration Deadline**") to enable the Company to verify their status.

2. Following verification, authenticated members will receive an email by 5.00 p.m. on 25 October 2022 and will be able to access the Live AGM Webcast or the Live AGM Audio Feed of the AGM proceedings on day of the meeting via the Registration Link using their login credentials created during the pre-registration process.

3. Members must not share their login credentials to other persons who are not members of the Company and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the Live AGM Webcast or the Live AGM Audio Feed.

Members who have registered by the Registration Deadline but did not receive an email response by 5.00 p.m. on 25 October 2022 may contact the Company by email at "karin-agm2022@karin.com.hk".

Submission of Questions in Advance:

1. Members may submit questions relating to the items on the agenda of the AGM in advance of the AGM by 10.00 a.m. on 21 October 2022, via the Registration Link or via email to "karin-agm2022@karin.com.hk". For verification purposes, a shareholder who wishes to submit their questions by email is required to indicate their full name (for individuals)/company name (for corporate), NRIC/Passport No./Company Registration number, email address, contact number, shareholding type and number of shares held together with their submission of questions, to the email provided.

2. The Board will endeavour to address the substantial and relevant questions submitted in advance of the AGM by publishing responses to such questions on SGXNet and the Company's corporate website at www.karingroup.com by 10 am on 22 October 2022 (being not less than forty-eight (48) hours prior to the closing date and time for the lodgement of the proxy forms).

Submission of Questions During the AGM:

1. Members who registered and are verified to attend the AGM will be able to ask questions relating to the agenda of the AGM during the AGM by submitting text-based questions via the Live AGM Webcast under the "Q&A" window/tab and then clicking "Ask a Question" to input queries in the questions text box.

2. Where there are substantially similar questions, the Company will consolidate such questions. Consequently not all questions may be individually addressed. The Company will endeavour to respond to such queries during the Meeting as far as reasonably practicable.

3. The responses to questions from members during the AGM will be included in the minutes of the AGM which will be published on the SGXNet within one (1) month after the date of the AGM.

NOTICE OF ANNUAL GENERAL MEETING

Voting and Submission of Proxy Forms to Vote:

1. A member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it may cast his/her/its votes remotely in real time via electronic means.

2. As an alternative to the aforesaid real-time electronic voting, members may appoint a proxy or proxies to vote on his/her/its behalf at the AGM.

3. Members (whether individual or corporate) may also vote at the AGM by appointing the Chairman of the AGM as proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid.

4. A member entitled to attend and vote at the AGM (who is not a relevant intermediary as defined in Section 181 of the Companies Act 1967) is entitled to appoint one or two proxies to attend and vote in his/her/its stead. Where a member appoints two proxies, the appointments shall be invalid unless he/she/it specifies the proportion of his/her/its shareholding (expressed as a percentage of the whole) to be represented by each proxy.

   A member who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than one proxy to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than one proxy, it should annex to the Proxy Form the list of proxies, setting out, in respect of each proxy, the name, address, email address, NRIC/Passport Number and proportion of shareholding (number of Shares and percentage) in relation to which each proxy has been appointed.

   The appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed in the Proxy Form.

5. Investors who hold shares through relevant intermediaries as defined in Section 181 of the Companies Act 1967, including investors under the Central Provident Fund and the Supplementary Retirement Scheme ("**CPF and SRS Investors**"):

   a) may vote live via electronic means at the AGM if they are appointed as proxies by their respective CPF Agent Banks/SRS Operators, and should contact their respective CPF Agent Banks/SRS Operators if they have questions regarding their appointment as proxies; or

   b) may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, in which case they should approach their respective CPF Agent Banks/SRS Operators no later than 10.00 a.m. on 17 October 2022 (being seven (7) working days before the AGM).

   Such investors (including CPF and SRS Investors) who wish to participate in the AGM should contact the relevant intermediary through which they hold such Shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM.

NOTICE OF ANNUAL GENERAL MEETING

6. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) in the electronic format accessible on the AGM Website;

   (b) if submitted by post, be lodged with the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), at 80 Robinson Road #11-02, Singapore 068898; or

   (c) if submitted electronically, be submitted via email to the Company's Share Registrar at sg.is.proxy@sg.tricorglobal.com,

   in either case, by no later than 10.00 a.m. on 24 October 2022, being 72 hours before the time fixed for the AGM.

   In the case of submission of the Proxy Form other than via the AGM Website, a member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically.

7. A proxy need not be a member of the Company. The Chairman of the AGM, as proxy, need not be a member of the Company.

"**Relevant Intermediary**" means:

(a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the supplemental information relating to the retiring directors, Mr. Kuan Cheng Tuck and Mr Ng Kin Wing, Raymond, as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is append below:

	Mr. Kuan Cheng Tuck	**Mr. Ng Kin Wing, Raymond**
Date of Appointment	23 October 2020	5 September 2002
Date of last re-appointment	–	21 October 2019
Age	50	72
Country of principal residence	Singapore	Hong Kong
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr. Kuan Cheng Tuck for re-election as Independent Director of the Company. The Board have reviewed and concluded that Mr. Kuan Cheng Tuck possess the experience, expertise, knowledge and skills that will continue to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr. Ng Kin Wing, Raymond for re-election as Executive Director of the Company. The Board have reviewed and concluded that Mr. Ng Kin Wing, Raymond possess the experience, expertise, knowledge and skills that will continue to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive Mr. Ng Kin Wing, Raymond is responsible for overseeing the Group's entire operations and general management.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director, Chairman of the Audit and Risk Management Committee and a member of the Nominating Committee and Remuneration Committee.	Executive Director/Executive Chairman

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr. Kuan Cheng Tuck	Mr. Ng Kin Wing, Raymond
Professional qualifications	Mr. Kuan Cheng Tuck holds a Bachelor of Accountancy degree from the Nanyang Technological University of Singapore, a Bachelor of Laws (Honours) degree from the University of London and a Master of Laws (Corporate and Financial Services Law) degree from the National University of Singapore. He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom, and a member of the Institute of Singapore Chartered Accountants. He was also admitted to the Singapore Bar.	Mr. Ng Kin Wing, Raymond obtained his Higher Certificate in Mechanical Engineering at the Hong Kong Technical College (former college of the Hong Kong Polytechnic University) in 1971 and Bachelor of Business Administration degree from the University of East Asia of Macau (Former University of Macau) in 1990. In 2004 he obtained a Master of Business Administration (MBA) degree from the Macquarie University of Sydney, Australia. In addition, he was awarded the degrees of Master of Arts in Applied Translation (MAAT) from Hong Kong Metropolitan University (Former The Open University of Hong Kong) in 2008 and Master of Science (MSc) in Energy and Environment from City University of Hong Kong in 2015. Mr. Ng is a full member of the Hong Kong Management Association, a fellow member of the Hong Kong Institute of Marketing, a member of the Society of Automotive Engineers International (MSAE), a Chartered Engineer (CEng), a member of the Institution of Mechanical Engineers (MIMechE) and a member of the Institute of Electrical and Electronics Engineers (MIEEE).
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	Mr. Ng Kin Wing, Raymond, is the younger brother of Mr. Ng Yuk Wing, Philip, Executive Director/ Chairman Emeritus and substantial shareholder. He is also uncle of Mr. Ng Mun Kit, Michael, an Executive Director/Chief Executive Officer and substantial shareholder of the Company.

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr. Kuan Cheng Tuck	**Mr. Ng Kin Wing, Raymond**
Conflict of Interest (including any competing business)	No	No
Working experience and occupation(s) during the past 10 years	Director of KCT Consulting Pte. Ltd. (from 2004 to present) (specializing mainly in corporate advisory, financial reporting and corporate governance matters).	Mr. Ng Kin Wing, Raymond is one of the founders of the Group since 1977 and is responsible for overseeing the Group's entire operation and general management. He has over 40 years of experience in the components distribution business.
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	Nil	Yes
Shareholding details	Nil	Mr. Ng Kin Wing, Raymond is deemed interested in the 70,639,950 ordinary shares held by Kikki Investment Ltd which is an investment holding company owned by him.
Past (for the last 5 years)	– Independent director of Green Build Technology Limited (listed on SGX-ST) – Independent non-executive director of CW Group Holdings Limited (listed on HKEx) – Independent director of China Star Food Group Limited (listed on SGX-ST)	Nil

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr. Kuan Cheng Tuck	Mr. Ng Kin Wing, Raymond
Present	– Independent director of CNMC Goldmine Holdings Limited (listed on SGX-ST) – Independent director of Kori Holdings Limited (listed on SGX-ST) – Director of KCT Consulting Pte. Ltd.	– All Grand Enterprises Limited – Compucon Computers Limited – Compusmart Limited – Cosel International Trading (Shanghai) Co., Ltd. – Gold Combination Enterprise Inc. – Karga Solutions Limited – Karin (Holdings) Ltd. – Karin Electronic Trading (Shenzhen) Co. Ltd. – Karin Electronic Supplies Company Limited – Karin International Trading (Shanghai) Co. Ltd. – Karin Technology (BVI) Limited – Karltec Information System (Shenzhen) Company Limited – Karsing Pte. Ltd. – KCF A Store Limited – Kepro Solutions Limited – Kikki Investment Ltd – KIMIC Investment Limited – KIMIG Limited – Matrix Power Technology (Shenzhen) Co. Ltd. – Karin Solutions and Services Limited – New Spirit Electronic Technology Development (Shenzhen) Co., Ltd. – New Spirit Technology Limited – Paradise Technologies Limited – Sen Spirit Technology Limited – Take Talent Investments Limited

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

INFORMATION REQUIRED

		Mr. Kuan Cheng Tuck	Mr. Ng Kin Wing, Raymond
a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	Yes. Mr. Kuan was a former independent non-executive director ("INED") of CW Group Holdings Limited (CWG), a company listed on the Hong Kong Stock Exchange. He resigned as INED of CWG on 9 November 2018. CWG was placed in provisional liquidation in or around August 2018. Mr. Kuan had also been an independent non-executive director of Falmac Limited, a now delisted public company, during the period from 5 October 2009 to 29 August 2011. A winding up application was filed by a creditor of Falmac Limited against the company on 29 August 2013.	No
c)	Whether there is any unsatisfied judgment against him?	No	No
d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

		Mr. Kuan Cheng Tuck	Mr. Ng Kin Wing, Raymond
e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr. Kuan Cheng Tuck	Mr. Ng Kin Wing, Raymond
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr. Kuan Cheng Tuck	Mr. Ng Kin Wing, Raymond
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

Karin Technology
Holdings Limited

Karin Technology Holdings Limited
9th Floor, The Whitney, 183 Wai Yip Street
Kwun Tong, Kowloon, Hong Kong
Tel: (852) 2389 8252
www.karingroup.com

Designed & Produced by HeterMedia Services Limited