

Issuer: Karin Technology Holdings Limited
Security: Karin Technology Holdings Limited

Meeting details:

Date: 20 Oct 2016
Time: 11:00 AM
Venue: Shenton Room, Lower Level, M Hotel Singapore, 81 Anson Road, Singapore 079908

Company Description

Karin Technology Holdings Limited, an investment holding company, distributes electronic components, provides information technology infrastructure solutions, and retails consumer electronics products in Hong Kong and Mainland China. The company distributes electronic components, including Bluetooth, connectors, integrated circuits, LCD units, MEMs, quartz crystals, and semi-conductors; industrial materials comprising batteries, power semi-conductors, power supplies, process automation products, and special application cables; and computer hardware and software, such as enterprise server and storage solutions, information management solutions, IP/Ethernet networking products, and network security solutions and services. It also provides computer data storage management solutions and services; integrated circuit software application design solutions; and power supply solution services, as well as distributes industrial cables, and computer products and peripherals. In addition, the company provides application delivery traffic management solution services; backup/recovery solution services; maintenance support services; migration/upgrade, and network and security solution services; Oracle database solution services; server consolidation and virtualization services; server equipment installation and configuration services; server relocation services; and storage implementation services. Further, it operates four retail stores under the In-Smart trade name that sells Apple products and gadgets. The company was founded in 1977 and is headquartered in Kwun Tong, Hong Kong.

Source: http://sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=K29

1. The disposal of KCF A Store Limited (“KCF”) was completed on 30 June 2016 (page 110 of the annual report). The joint venture company KCF was incorporated in October 2011 and had six stores at its peak in 2013 before scaling back to four stores prior to the disposal of KCF. One reason cited was the increase in the number of Apple flagship stores that had negatively impacted the sales in the In-Smart stores. **Can the management team share with shareholders the lessons learnt from running the JV for close to five years?** In the Chairman and CEO Statement and Operation Review (page 3), it was mentioned that the Consumer Electronics Products (“CEP”) would have “great opportunities for expansion” and “FY2017 will be a breakthrough year in retail distribution for CEP”. **Please provide more detail on the expansion opportunities and on the new products. With the disposal of KCF, would management’s focus be solely on distribution (and not the retailing aspect)?**

2. Based on the information from the Operating segments (page 79), the segment results of the Components Distribution (“CD”) was HK\$(1.93) million. Looking at the results from the past seven years since FY2010, the CD segment has always been profitable albeit at a low margin. **What were the challenges faced in the past year? Are there structural changes that have affected the segment’s long term profitability? Does management expect a quick turn-around in the next financial year?**

3. It has not been a common practice of the group to offer credit beyond 12 months (page 97). **Can the audit committee help shareholders understand why there is a HK\$9.1 million non-current trade receivable? Is this an early sign of the possible deteriorating credit quality?**

	2016 HK\$'000	2015 HK\$'000
(Note 18) Non-current asset: Trade receivable	9,106	-
(Note 20) Prepayments	61,460	45,113
(Note 20) Other receivables	25,436	5,911

Also, prepayments were made to certain vendors for projects totaling HK\$16.3 million (page 8). **Can shareholders get some visibility on these projects as this appears to be rather substantial? Are these in the ordinary course of the group’s business?**

The increase in Other receivables was due to the disposal of KCF. **When does the company expect to collect the balance of HK\$17.7 million as it appears that the disposal has been completed on 30 June 2016?**