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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Karin Technology Holdings Limited

Stock code: K29

Meeting details:
Date: 28 October 2021
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the CEO's message and operation review, despite the pandemic, total consolidated revenue for the financial year ended 30 June 2021 increased by 6.2% to HK$1.88 billion, driven mainly by the strong performance in the group's main revenue generator, Information Technology Infrastructure ("IT Infrastructure").

Revenue from the IT Infrastructure segment grew by 15.6% year-on-year to HK$1.07 billion, offsetting the decrease in revenue in the Consumer Electronic Products ("CEP") segment which was affected by the pandemic. In the Components Distribution ("CD") segment, revenue improved by 3.6% to HK$654.6 million.

Profit attributable to shareholders improved to HK$32.4 million in FY2021.

It was disclosed that the rising demand was from new projects in cloud computing and enhanced cyber security, and from more corporate customers adopting solutions for virtual communication and remote operations.

(i) **IT Infrastructure:** In Note 5 (page 97 – Revenue, other income and gains, net), it is shown that revenue from sale of goods amounted to HK$878 million while services accounted for HK$188 million. **Can management provide shareholders with greater clarity on the major products and the type of services in the IT Infrastructure segment? How does the group value-add in this segment? In addition, how sustainable is the increased demand in the IT Infrastructure segment going forward? Does management see the demand normalising in the next 18-24 months?**

(ii) **Components Distribution (CD): Has the group developed a strong niche in any areas, such as power modules, telecommunications, audio and video, automotive, etc? How does the group mitigate the impact due to shortages in component materials and IC chipsets?**

(iii) **Consumer Electronic Products (CEP): Out of the HK$155 million in revenue in the CEP segment, how much of the revenue was contributed by retail? In addition, what are the leading brands by revenue in the CEP segment?**

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Q2. The independent auditor has included two key audit matters (KAMs) in their independent auditor's report (pages 53 to 57). The KAMs are "Impairment assessment of trade receivables" and "Provision for obsolete and slow-moving inventories". Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As at 30 June 2021, the group had trade receivables of HK$431.5 million which represented 40% of the total assets of the group while inventories (after provision against obsolete and slow-moving inventories) amounted to HK$234.0 million (or 22% of total assets).

(i) Inventories increased significantly by 38% from HK$170 million to HK$234 million. Note 18 of the Notes to financial statements simply states that "Inventories of the group are trading stocks" (page 115 - shown below).



18. INVENTORIES

Inventories of the Group are trading stocks.

(Source: company annual report)

Can management provide a breakdown of the group's inventories? What is the split by segment? In addition, how much inventory was included in the group's cost of sale? Can management help shareholders understand the reasons for the increase?

(ii) Separately, net impairment of trade receivables has increased from HK$3.96 million to HK$6.55 million. To put that in perspective, the group's profit for the year was HK$5.00 million in FY2020 and HK$31.06 million in FY2021. The group has recognised over HK$15.46 million in gross trade receivables past due by over 3 months (page 116 – Trade and bill receivables). This resulted in the group recognising HK$6.71 million in expected credit losses for FY2021. **What are the profiles of the customers with long outstanding trade receivables? What are management's efforts to improve its credit risk management?** In addition, a loss allowance amount of HK$6.26 million was written off as uncollectible in FY2021. **Similarly, what are the profiles of the debtors with uncollectible trade receivables? How did management assess that these outstanding receivables are uncollectible? Is the group still trading with these debtor(s)?**

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Q3. As disclosed in the annual report, the board currently comprises six directors, three of whom are independent. Prior to 1 April 2021, the board had a majority of independent directors. The company explained that the appointment of an additional executive director on 1 April 2021 was part of a strategic plan for the group's next stage growth as the group moves from pandemic to a new era.

(i) **Can the board elaborate further on the appointment of Mr. Ng Yuk Wing, Philip as chairman emeritus and executive director? What are current roles and responsibilities of Mr. Ng Yuk Wing, Philip? How different is the current role compared to the role of the executive advisor?**

(ii) The board has now deviated from Provision 2.2 of the Code of Corporate Governance 2018. **Has the nominating committee (NC) reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**

(iii) **In particular, can the NC help shareholders understand if the independent directors have the appropriate balance and mix of skills, knowledge, experience, especially in IT, distribution and retail, to engage in effective and constructive debate with the executive directors?**

At the annual general meeting scheduled to be held on 28 October 2021, Mr. Lim Yew Kong, John and Mr. Lawrence Kwan would be retiring and seeking their re-election. The two long-tenured non-executive directors will also be seeking a two-tier vote from shareholders for their continued appointment as independent directors.

(iv) **Can the NC help shareholders understand the deliberations it has had on the progressive renewal of the board (Principle 4 of the Code of Corporate Governance 2018)? With the proposed resolutions to re-elect the two long tenured directors, will the board be delaying the board's progressive renewal?**

Separately, Mr. Lawrence Kwan was appointed the lead independent director on 23 October 2020. Mr. Lawrence Kwan was first appointed to the board as an independent director on 13 July 2012.

(v) **As the lead independent director, would Mr. Lawrence Kwan be holding himself to higher governance standards and lead by example, especially in setting the tone with regard to the tenure of independent directors?**

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

Join our mailing list here to receive latest news and upcoming events.

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)