

KARIN TECHNOLOGY HOLDINGS LIMITED
(Incorporated in Bermuda on 30 August 2002)
Company Registration No. 32514

PROPOSED DISPOSAL OF ASSOCIATED COMPANY

1. INTRODUCTION

The Board of Directors of Karin Technology Holdings Limited (the "**Company**") and together with its subsidiaries, the "**Group**") wishes to announce that the Company's indirect wholly-owned subsidiary, KIMIG Limited (the "**Seller**"), has on 2 August 2024, entered into a share transfer agreement (the "**Agreement**") with COSEL Co., Ltd. (the "**Purchaser**" or "**Cosel**") pursuant to which the Seller agreed to sell to the Purchaser, and the Purchaser agreed to acquire, all of its interest (amounting to 30% equity interest) in its associated company, Shanghai Cosel International Trading Co. Ltd. (the "**Target**"), on the terms and conditions of the Agreement (the "**Proposed Transaction**"). The Purchaser and the Seller currently holds 70% and 30% equity interest in the Target respectively. The Target is principally engaged in the export and trading of switch mode power supplies.

2. INFORMATION ON THE PURCHASER

The Purchaser is listed on the First Section of the Tokyo Stock Exchange since May 2000. Cosel has been one of the Group's business partners for more than 20 years. Cosel is one of the world's leading power supply manufacturers offering high-quality, ultra small size AC-DC power supplies, DC-DC converters of the state-of-the-art technologies, and effective and easy-to-use noise filters. The Purchaser is an independent third party unrelated to any of the directors and controlling shareholders (as defined in the Listing Manual (the "**Listing Manual**")) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), of the Group.

3. RATIONALE FOR THE PROPOSED TRANSACTION

To the best knowledge of the Company, it is the intention of Cosel to restructure their business in the People's Republic of China ("**PRC**") by, *inter alia*, rationalising the activities of the Target with their existing business in Wuxi city in the PRC. Hence, the Purchaser invited the Company to sell its 30% equity interest in the Target (via the Seller) to the Purchaser. From the Company's perspective, the Proposed Transaction also presents an opportunity for the Group to divest its non-core business venture and concentrates on its core activities, enabling a better focus on strategic priorities.

4. SALIENT TERMS OF THE PROPOSED TRANSACTION

Consideration

- 4.1 Under the Proposed Transaction, the Seller has agreed to sell, and the Purchaser has agreed to purchase 30% equity interest (the "**Target Equity Interest**") in the Target

for a consideration sum of approximately RMB7,023,232 (equivalent to HKD7,605,000¹) based on arm's length negotiations, on a willing-buyer, willing-seller basis (the "**Consideration**").

- 4.2 Upon completion of the Proposed Transaction, the Purchaser shall become the sole shareholder of the Target. The Consideration will be satisfied by cash and paid in United States Dollars within 30 days from the date of Agreement to a bank account designated by the Seller.
- 4.3 The Consideration was determined based on the Group's proportionate share (i.e. 30%) of the Target's unaudited net asset value ("**NAV**") of approximately RMB23,410,773 (equivalent to HKD25,352,000), as reflected in the Target's management accounts as at 31 May 2024, having regard to the rationale described in Paragraph 3 above and the principle stipulated in Rule 1003(1)(a) of the SGX-ST Listing Manual. There is no open market value of the Target Equity Interest as the equity interest of the Target is not publicly traded. No valuation had been carried out in connection with the Proposed Transaction. For reference, based on the audited accounts of the Target as at 31 December 2023, the Target's net tangible asset value was approximately RMB25,643,768 (equivalent to HKD27,769,636).
- 4.4 Based on the unaudited interim condensed financial statements of the Group as at 31 December 2023, the book value (or carrying amount) of the Target was approximately HKD8,648,000, and the net profits attributable to the Target for the half-year ended 31 December 2023 was approximately HKD2,279,000. Based on the unaudited management accounts of the Target as at 31 May 2024 and applying the Group's accounting policy relating to investment in associated companies, the book value (or carrying amount) of the Target would also be approximately HKD7,605,000 as at 31 May 2024. Additionally, the estimated expenses of the Proposed Transaction are to be borne by the Purchaser save for related taxes arising therefrom. Assuming an effective date of disposal of 31 May 2024 and ignoring taxes, the Proposed Transaction will result in neither a material gain nor loss. However, if the related taxes (including but not limited to capital gains tax, estimated at approximately HKD723,000) are taken into account, all things being equal, a net loss on disposal of approximately HKD723,000 would be recorded.² For the avoidance of doubt, the financial information disclosed above is for illustrative purposes and may not reflect the actual future financial performance or position of the Group upon the completion of the Proposed Transaction.
- 4.5 The Group intends to use the net proceeds from the Proposed Transaction for general working capital requirements of the Group.

¹ Unless otherwise specified and for convenience, the currency conversion between RMB and HKD in this Announcement are based on the exchange rate of RMB1.00 : HKD1.0829 at 1 August 2024.

² Under the equity method of accounting (as opposed to the cost method of accounting) adopted for the Group's investment in associated companies, the book value (or carrying amount) of the Target in the Group's financial statements of HKD8,648,000 represents the historical cost of investment of USD60,000 (approximately HKD466,000) plus the cumulative share of reserves (less dividends received), totalling approximately HKD8,182,000 as at 31 December 2023. Notably, the Group has not only fully recovered its investment cost but also recognised its share of the Target's profits and/or reserves (net of dividends received), amounting to HKD8,182,000 up to 31 December 2023. In contrast, had the cost method of accounting been applied, the Proposed Transaction would result in an estimated net gain of approximately HKD6,473,000.

Completion

- 4.6 Completion of the Proposed Transaction shall occur on the date on which the relevant competent authority of the government of the PRC completes the filing and registration of the Proposed Transaction (the "**Completion Date**").

Upon Completion, the Target will cease to be an associated company of the Group.

Other Salient Terms

- 4.7 The Seller shall procure that Karin Electronic Trading (Shenzhen) Co. Ltd., an indirect wholly-owned subsidiary of the Company, continue to provide consulting services in relation to the Enterprise Resource Planning system to the Target until 31 December 2025, for a monthly fee of RMB10,000 (excluding tax), payable from 1 January 2025 to 31 December 2025.
- 4.8 The Purchaser and the Target shall not request the Seller to pay any operating expenses incurred by the Target prior to the Completion Date.
- 4.9 In the event that the Seller fails to complete its obligations within the period stipulated in the Agreement due to reasons attributable to the Seller, the Seller shall pay to the Purchaser liquidated damages at the rate of 0.01% of the Consideration per day.
- 4.10 If the Purchaser fails to pay Consideration to the Seller within the period stipulated in the Agreement due to reasons attributable to the Purchaser, the Purchaser shall pay liquidated damages to the Seller at the rate 0.01% of the unpaid Consideration per day.
- 4.11 In event of force majeure, the Purchaser and the Seller shall decide whether to amend or terminate the Proposed Transaction through negotiations.
- 4.12 The governing law of the Agreement is the laws of the PRC.

5. RELATIVE FIGURES COMPUTED PURSUANT TO RULE 1006 OF THE LISTING MANUAL

- 5.1 The relative figures for the Proposed Transaction computed on the bases set out in Rule 1006 of the Listing Manual and based on the latest announced unaudited interim condensed consolidated financial statements of the Group for the six months ended 31 December 2023 ("**1H2024**") are as set out below:-

Listing Rule	Bases	Relative Figures (%)
Rule 1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	2.13 ⁽¹⁾
Rule 1006(b)	The net profits attributable to the assets disposed of, compared with the Group's net profits.	17.89 ⁽²⁾

Rule 1006(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	1.82 ⁽³⁾
Rule 1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable ⁽⁴⁾
Rule 1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not Applicable ⁽⁴⁾

Notes:-

- (1) Based on the net asset value of the Group as at 31 December 2023 amounting to HKD405,902,000 and the net asset value of the Target Equity Interest as at 31 December 2023 amounting to HKD8,648,000.
- (2) Based on the net profit before tax and non-controlling interests of the Group for 1H2024 amounting to HKD12,743,000 and the share of net profit of the Target for 1H2024 amounting to HKD2,279,000.
- (3) The Company's market capitalisation (based on an issued share capital of 216,323,400 shares (excluding treasury shares) and the volume weighted average price of the shares on the SGX-ST as at 1 August 2024 (being the one market day preceding the date of the Agreement) of HKD1.930 per share) is HKD417,504,162
- (4) Rules 1006(d) and (e) are not applicable as the Proposed Transaction relates to a disposal of asset and the Company is not a mineral, oil and gas company.

5.2 As the relative figure under Rule 1006(b) above exceeds five (5) percent but is not more than 20 percent, the Proposed Transaction constitutes a "disclosable transaction" for the Company as defined in Chapter 10 of the Listing Manual.

6. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

The financial effects of the Proposed Transaction on the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after the completion of the Proposed Transaction. The financial effects of the Proposed Transaction set out

below have been prepared based on the Group's audited financial statements for the financial year ended 30 June 2023 ("FY2023"), and on the bases and assumptions set out in paragraph 6.1 below.

6.1 The financial effects of the Proposed Transaction are set out as follows:

(a) **Net Tangible Assets ("NTA")**

For illustrative purposes only and assuming completion of the Proposed Transaction had taken place at the end of FY2023, the estimated financial effects of the Proposed Transaction on the consolidated net tangible assets of the Group are as follows:

	Before the Proposed Transaction	After the Proposed Transaction
NTA of the Group attributable to shareholders of the Company (HKD '000)	429,926	429,458 ⁽¹⁾
Number of Shares (excluding treasury shares)	216,348,000	216,348,000
NTA per share (HKD cents)	198.72	198.50

Notes:-

- (1) This takes into account the book value (carrying amount) of the Target as at 30 June 2023, and the relevant taxes as set out in paragraph 4.4, pursuant to the Proposed Transaction.
- (2) For the purpose of this Announcement, NTA of the Group is represented by its total net assets less goodwill.

(b) **Earnings Per Share ("EPS")**

For illustrative purposes only and assuming completion of the Proposed Transaction had taken place at the beginning of FY2023, the estimated financial effects of the Proposed Transaction on the consolidated earnings per share of the Group are as follows:

	Before the Proposed Transaction	After the Proposed Transaction
Net profit attributable to shareholders of the Company (HKD '000)	46,965	45,610 ⁽³⁾

Weighted average number of shares	215,528,274	215,528,274
EPS (HKD cents)	21.79	21.16

Notes:-

- (3) This takes into account the book value (carrying amount) of the Target as at 30 June 2022, and the relevant taxes as set out in paragraph 4.4, pursuant to the Proposed Transaction.

6.2 Effect on Share Capital of the Company

The Proposed Transaction will not have any effect on the issued and paid-up share capital of the Company.

7. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company have any interest, direct or indirect, in the Proposed Transaction (save through their respective shareholdings in the Company).

8. SERVICE CONTRACT(S)

No person will be appointed to the Board of Directors of the Company in connection with the Proposed Transaction and no service contracts in relation thereto will be entered into by the Company.

9. DOCUMENTS FOR INSPECTION

A copy of the Agreement will be available for inspection during normal business hours at the address of the Company's local share transfer agent, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 9 Raffles Place #26-01, Republic Plaza, Singapore 048619 for a period of three (3) months from the date of this announcement.

10. RESPONSIBILITY STATEMENT BY THE DIRECTORS

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Transaction, the Group, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that

such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

11. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in the Company's shares, and where in doubt as to the action they should take, they should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

Ng Mun Kit, Michael
Chief Executive Officer/Executive Director

6 August 2024