

CIRCULAR DATED 12 JUNE 2020

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of Karin Technology Holdings Limited (the “**Company**”), you should immediately forward this Circular together with the Notice of Special General Meeting and the accompanying Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (“SGX-ST”) assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.



嘉靈控股集團有限公司

Karin Technology Holdings Limited

KARIN TECHNOLOGY HOLDINGS LIMITED

(Incorporated in Bermuda on 30 August 2002)

(Registration Number: 32514)

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED DISPOSAL OF THE GROUP’S ENTIRE SHAREHOLDING INTEREST IN MASTERKLOUD TECHNOLOGY LIMITED

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form : 26 June 2020 at 12.00 p.m.

Date and time of Special General Meeting : 29 June 2020 at 12.00 p.m.

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DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires:-

- “Adjustment Event”** : The adjustment events described in paragraph 0 of this Circular.
- “Board” or “Board of Directors”** : The board of directors of the Company for the time being.
- “CDP” or “Depository”** : The Central Depository (Pte) Limited.
- “Circular”** : This circular dated 12 June 2020 issued by the Company.
- “Company”** : Karin Technology Holdings Limited.
- “Companies Act”** : The Companies Act (Cap. 50) of Singapore, or any statutory modification or re-enactment thereof for the time being in force.
- “Completion”** : The completion of the Proposed Disposal.
- “Completion Date”** : The date of Completion, which shall take place within seven (7) business days from the day of written notice from the Group to the Purchaser that it had obtained shareholders’ approval for the Proposed Disposal.
- “Control”** : The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company.
- “Controlling Shareholder”** : A person (including a corporation) who:
- (a) holds, directly or indirectly, 15% or more of the total issued voting Shares of the Company; or
 - (b) in fact exercises Control over the Company.
- “Constitution”** : The constitution of the Company, as amended or modified from time to time.
- “Directors”** : The directors of the Company for the time being.
- “SGM”** : The special general meeting to be convened and held on 29 June 2020 at 12.00 p.m., notice of which is set out on page 19 of this Circular.
- “EPS”** : Earnings per share.
- “FY”** : Financial year ended or ending 30 June (as the case may be).
- “Group”** : The Company and its subsidiaries, collectively.
- “Initial Long-Stop Date”** : The initial long-stop date described in paragraph 0 of this Circular.
- “Latest Practicable Date”** : 9 June 2020, being the latest practicable date prior to the dispatch of this Circular.
- “Listing Manual”** : The listing manual of the SGX-ST, as may be amended, modified or supplemented from time to time.

DEFINITIONS

“Market Day”	:	A day on which the SGX-ST is open for trading in securities.
“Member” or “Shareholder”	:	The registered holders of the Shares, except that where the registered holder is CDP, the term “Shareholders” or “Members” shall, in relation to such Shares, mean the Depositors in the Depository Register and whose securities accounts maintained with CDP are credited with those Shares. Any reference to Shares held by Shareholders shall include Shares standing to the credit of the respective Shareholders’ Securities Accounts.
“NAV”	:	Net asset value.
“Notice of SGM”	:	The notice of the SGM set out on page 19 of this Circular.
“NTA”	:	Net tangible assets.
“MasterKloud”	:	MasterKloud Technology Limited.
“Masterson”	:	Masterson Technology Limited.
“Proposed Disposal”	:	The proposed disposal of 100,000 ordinary shares in MasterKloud, as described particularly in paragraph 3 of this Circular.
“Proxy Form”	:	The proxy form in respect of the SGM as set out in this Circular.
“Purchaser”	:	Masterson Technology Limited.
“Sale Consideration”	:	The sale consideration of HK\$2,500,000, as described in paragraph 3.2 of this Circular.
“Sale Shares”	:	100,000 shares in MasterKloud held by the Group as at the date of this Circular, constituting 20% of the equity interest in MasterKloud.
“Sale Loan”	:	An existing loan of HK\$2,499,999 owed by MasterKloud to the Company, to be sold to the Purchaser.
“Share”	:	Ordinary shares in the capital of the Company.
“Shareholders”	:	Shareholders of the Company.
“SPA”	:	The sale and purchase agreement dated 17 March 2020 entered into between Karin Technology (BVI) Limited, as vendor, and Masterson, as purchaser.
“SFA”	:	The Securities and Futures Act (Cap. 289) of Singapore, or any statutory modification or re-enactment thereof for the time being in force.
“SGX-ST”	:	The Singapore Exchange Securities Trading Limited.
“Shares”	:	Ordinary shares in the issued and paid-up share capital of the Company.
“Substantial Shareholder”	:	A Shareholder who has an interest in not less than five per cent (5%) of the issued Shares of the Company.

DEFINITIONS

“Undertaking Shareholders”	:	Asia Platform Investment Limited and Kikki Investment Limited.
“treasury shares”	:	The Shares held in treasury by the Company.
“Waived Loan”	:	An existing loan of HK\$4,400,001 owed by MasterKloud to the Company to be unconditionally waived by the Company on or before the Completion Date.
“HK\$”	:	Hong Kong dollars, being the lawful currency of the special administrative region of Hong Kong.
“S\$” and “cents”	:	Singapore dollars and cents respectively, being the lawful currency of Singapore.
“%” or “per cent”	:	Percentage or per centum.

The terms “**Depositor**”, “**Depository Register**” and “**Depository Agent**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The terms “**associate**” shall have the meanings ascribed to it in the Listing Manual, and “**subsidiary**” shall have the meaning ascribed to it in Section 5 of the Companies Act.

Except where specifically defined, the terms “**we**”, “**us**” and “**our**” in this Circular refer to Karin Technology Holdings Limited.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures that precede them.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date unless otherwise stated.

LETTER TO SHAREHOLDERS

KARIN TECHNOLOGY HOLDINGS LIMITED

(Incorporated in Bermuda on 30 August 2002)
(Registration Number: 32514)

Directors:

Mr. Ng Kin Wing, Raymond (Executive Chairman and Chief Executive Officer)
Mr. Lee Yiu Chung, Eugene (Executive Director and Chief Operating Officer)
Mr. Ng Mun Kit, Michael (Executive Director)
Prof. Ng Tung Sang (Independent Director)
Mr. Lim Yew Kong, John (Independent Director)
Mr. Lawrence Kwan (Independent Director)

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

12 June 2020

To: The Shareholders of Karin Technology Holdings Limited

Dear Sir/Madam

THE PROPOSED DISPOSAL OF THE GROUP'S ENTIRE SHAREHOLDING INTEREST IN MASTERKLOUD TECHNOLOGY LIMITED

1. INTRODUCTION

- 1.1 The Group had on 17 March 2020 entered into a sale and purchase agreement (“SPA”) with Masterson Technology Limited (the “Purchaser”), pursuant to which the Group agreed to sell, *inter alia*, its entire shareholding interest in its 20% owned joint-venture company, MasterKloud Technology Limited (“MasterKloud”) to the Purchaser, on the terms set out at paragraph 3 below (the “Proposed Disposal”).
- 1.2 The Directors are convening the SGM by way of electronic means on 29 June 2020 at 12.00 p.m., to seek the approval of Shareholders for the Proposed Disposal. The purpose of this Circular is to provide Shareholders with information relating to the Proposed Disposal.
- 1.3 The SGX-ST assumes no responsibility for the accuracy or correctness of any statements or opinions made, or reports contained in this Circular.

2. INFORMATION ON MASTERKLOUD AND THE PURCHASER

2.1 MasterKloud Technology Limited

MasterKloud is a company incorporated in Hong Kong and has an issued and paid-up share capital of HK\$500,000 divided into 500,000 ordinary shares. It was incorporated on 6 October 2017 and became a joint-venture company between the Karin Technology (BVI) Limited¹ and Masterson Technology Limited (the “Purchaser”) on 16 January 2018. As of the date of this Circular, the Group holds 20% while the Purchaser holds 80% of the shareholding interests in the issued and paid up share capital of MasterKloud.

The principal activity of MasterKloud is to engage in cloud-related technology services and the hosting of cloud solutions for corporations and enterprise customers.

¹ Karin Technology (BVI) Limited is a wholly-owned subsidiary of the Company.

LETTER TO SHAREHOLDERS

As of the date of this Circular, an accumulated shareholder's loan of HK\$6,900,000.00 (consisting of the Sale Loan and the Waived Loan) had been provided by the Company to MasterKloud on an interest-free basis and remains outstanding and payable. The loans were provided as part of the Company's investment in MasterKloud on or around the time of the set-up of the joint venture, and they were meant to enable MasterKloud to meet its immediate cash-flow needs prior to MasterKloud securing banking facilities.

The Company had, in its audited financial statements for FY2018, provided for and fully impaired its equity investment in MasterKloud in its accounts amounting to HK\$100,000. Details of the said provision were set out in note 15 (b) to the FY2018 financial statements. Further updates were set out in note 15 (b) to the FY2019 financial statements.

2.2 The Purchaser

The Purchaser was founded in 2005, and has been involved in the business of providing cloud services delivery since 2013. As of the date of this Circular, the Purchaser is also the joint venture partner of the Company in MasterKloud.

None of the Company and its Directors, Controlling Shareholder and their respective associates are related to the Purchaser or any shareholder and director of the Purchaser.

3. PRINCIPAL TERMS OF THE DISPOSAL

3.1 Proposed Disposal

Under the terms of the Proposed Disposal:

- (a) 100,000 shares in MasterKloud (the "**Sale Shares**"), constituting 20% of the equity interest in MasterKloud, shall be sold to the Purchaser;
- (b) an existing loan of HK\$2,499,999 owed by MasterKloud to the Company ("**Sale Loan**") shall be sold to the Purchaser; and
- (c) an existing loan of HK\$4,400,001 owed by MasterKloud to the Company ("**Waived Loan**") shall be unconditionally waived by the Company on or before the Completion Date.

(together, the "**Proposed Disposal**").

3.2 Sale Consideration

The Sale Consideration for the Proposed Disposal is HK\$2,500,000 (the "**Sale Consideration**"), and was arrived at on a willing buyer and willing seller basis between the Company and the Purchaser after taking into account the historical performance and business prospects of MasterKloud, as well as its the net liabilities position of approximately HK\$20 million as at 29 February 2020.

The Sale Consideration comprises of (a) consideration for the Sale Shares of HK\$1; and (b) the consideration for the Sale Loan of HK\$2,499,999.

To date, MasterKloud had not contributed positively to the Group's financial performance. Please refer to the [Appendix](#) for financial information of MasterKloud for FY2018 and FY2019.

LETTER TO SHAREHOLDERS

3.3 Potential Adjustment to Sale Consideration

In case if (and only if) within three (3) years after the Completion:

- (a) MasterKloud and/or the Purchaser shall issue any new shares to any party other than Karin Technology (BVI) Limited (“**Third Party**”) or enter into an agreement to do so;
- (b) the Purchaser shall transfer any of its shares in MasterKloud to any Third Party or enter into an agreement to do so;
- (c) any Third Party shall become a shareholder of the Purchaser;
- (d) MasterKloud and/or the Purchaser shall issue any convertible bonds or enter into an agreement to do so, or MasterKloud and/or the Purchaser shall issue any similar rights or instruments to or enter into any contracts or arrangements with any Third Party so that such Third Party shall have the option at the its sole and absolute discretion to become a shareholder of MasterKloud and/ or the Purchaser;
- (e) any or all of the existing shareholders of the Purchaser shall sell, transfer, give away, charge, pledge or otherwise create an encumbrance on, or enter into an agreement to do any of the foregoing or have previously entered into an agreement to do any of the foregoing on any of his/their shares in the Purchaser to any Third Party as a result of which any Third Party will at their sole and absolute discretion or upon default of repayment by any of the existing shareholders of the Purchaser become a shareholder of the Purchaser; or
- (f) the Purchaser shall sell, transfer, give away, charge, pledge or otherwise create an encumbrance on, or enter into an agreement to do any of the foregoing or have previously entered into an agreement to do any of the foregoing on any of its shares in the Company to any Third Party as a result of which any Third Party will at their sole and absolute discretion or upon default of repayment by the Purchaser become a shareholder of the Company;

(each, a “**Adjustment Event**”)

then the Sale Consideration shall be automatically adjusted and increased by a sum of HK\$1,000,000, which shall be payable within thirty (30) calendar days after the relevant Adjustment Event.

The Company had negotiated for the adjustments in order to benefit from any potential investment into MasterKloud by a third party for up to three (3) years following completion. In order to ensure compliance to the Adjustment Events, the Company intends to carry out periodic company searches through the Hong Kong Companies Registry's website to identify any changes in share capital of MasterKloud.

LETTER TO SHAREHOLDERS

3.4 Valuation

No valuation was conducted on MasterKloud in respect of the Proposed Disposal. The Board is of the opinion that a formal valuation on MasterKloud was not required in view of the following:

- (a) the reasonableness of the Sale Consideration having considered the historical performance and business prospects of MasterKloud, as well as the net liabilities position of approximately HK\$20 million as at 29 February 2020;
- (b) the rationale of the Proposed Disposal including *inter alia* the reduction of the Group's overall risk profile, opportunity to exit from a loss-making investment and to streamline its business for better utilization of available resources on its core businesses.

Please refer to paragraph 0 for further details on the rationale of the Proposed Disposal.

3.5 Payment Terms

The Sale Consideration shall be payable in cash by the Purchaser to the Group in the following manner:

- (a) HK\$25,000 shall, as deposit and part payment of the Sale Consideration, be paid upon the signing of the SPA; and
- (b) HK\$2,475,000 shall, being the balance of the Sale Consideration, be paid upon Completion.

As at the Latest Practicable Date, the Purchaser has paid a portion of the Sales Consideration, amounting to HK\$25,000, to the Group.

3.6 Long-Stop Date

The Completion of the Sale is subject to Shareholders' approval, to be obtained by 30 June 2020 (the "**Long-Stop Date**"), failing which, the parties shall either agree to extend such Long-Stop Date or if no agreement is reached, the Sale and the Sale Agreement shall be terminated.

3.7 Conditions Precedent

The Completion is conditional upon the Company having received the approval of its shareholders for the transactions contemplated on the SPA.

3.8 Completion Date

Completion of the proposed disposal shall take place within seven (7) business days from the date of written notice from the Group to the Purchaser that it had obtained shareholders' approval for the Proposed Disposal.

LETTER TO SHAREHOLDERS

4. RATIONALE FOR THE DISPOSAL

The rationale for, and benefits of the Disposal are as follows:

- (a) Due to the intensely competitive business in Hong Kong, MasterKloud was not able to develop its business beyond predominantly securing projects at low profit margins which, together with the lack in growth of sales and revenue, resulted in thin operating profits which were insufficient to cover its fixed costs. It had incurred net losses in the past two (2) year period since its establishment and, given the current economic climate, is expected to require continued and significant funding for a significant period of time before a turnaround in sales could be expected.
- (b) According to internal projections, MasterKloud may require substantial additional financial support to maintain its operations for the next two (2) years, and there is no certainty that MasterKloud will be able to turn a profit in or after that period.
- (c) The Group is of the view that the Proposed Disposal will allow the Group to exit from a loss-making investment, with the overall effect of avoiding further impairment and losses to the Group, as well as to reduce the Group's overall risk profile.
- (d) Given that the Group's investment in MasterKloud is not part of its core business, the Proposed Disposal would allow the Group to streamline its business for better utilization of available resources on its core businesses in the Components Distribution segment, the Information Technology Infrastructure segment, and the Consumer Electronics Products segment.

There will be no change in the core business of the Group following the Disposal, which comprises of its Components Distribution segment, Information Technology Infrastructure segment, and the Consumer Electronics Products segment.

Aside from the provision of the Sale Loan and the Waived Loan, there were no further transactions between the Group and MasterKloud to date.

The carrying values of the Group's investment in MasterKloud as at 30 June 2019 and 31 December 2019 were nil.

The Group commenced negotiations for the disposal of its interest in MasterKloud at the end of December 2019, after internal projections showed that MasterKloud may require substantial additional financial support to maintain its operations for the next two (2) years, and there is no certainty that MasterKloud will be able to turn a profit in or after that period. Other than as disclosed in this Circular, the Group had not received any other offer for its ownership stake in MasterKloud.

5. USE OF PROCEEDS

The proceeds from the Proposed Disposal will be used for general working and corporate capital.

LETTER TO SHAREHOLDERS

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal set out below, which have been prepared based on the audited consolidated financial statements of the Group for FY2019, are purely for illustrative purposes only and do not reflect the true financial position of the Company or the Group after Completion.

6.1 NTA

The effect of the Proposed Disposal on the NTA per Share of the Group for FY2019, assuming that the Proposed Disposal had been effected at the end of FY2019 is as follows:

As at 30 June 2019	Before the Proposed Disposal	After the Proposed Disposal
NTA (HK\$)	HK\$449,876,000	HK\$445,476,000
NTA per Share (HK\$)	HK\$2.09	HK\$2.07

6.2 EPS

The effect of the Proposed Disposal on the EPS of the Group for FY2019, assuming that the Proposed Disposal had been effected at the beginning of FY2019 is as follows:

As at 30 June 2019	Before the Proposed Disposal	After the Proposed Disposal
Earnings per Share (HK\$)	HK\$0.15	HK\$0.13

6.3 Loss on Disposal

The Proposed Disposal will result in a loss on disposal of HK\$4,400,000, representing:

- (a) 72.8% of the consolidated net profit after tax of the Group for the six months ended 31 December 2019; or
- (b) 13.6% of the consolidated net profit after tax of the Group for the year ended 30 June 2019.

LETTER TO SHAREHOLDERS

7. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANUAL

7.1 Relative Figures under Rule 1006 of the Listing Manual

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual based on the Group's latest announced unaudited financial statements for half year ended 31 December 2019 at the time of the signing of the SPA are set out below:

Rule	Basis	Relative Figure	
1006(a)	NAV of the assets disposed of, compared with the Group's NAV	0.80% ⁽¹⁾	
1006(b)	Net loss attributable to the assets disposed of, compared with the Group's net profit	(15.61)% ⁽²⁾	(2.81)% ⁽³⁾
1006(c)	Aggregate value of the consideration received, compared with the Company's market capitalization based on the total number of issued Shares excluding treasury Shares	(0.60)% ⁽⁴⁾	
1006(d)	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	
1006(e)	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.	Not applicable	

Notes:

- (1) Based on the net assets value of the assets disposed of at HK\$3,490,000 (as at 31 December 2019) and the NAV of the Company of approximately HK\$438,884,000 (as at 31 December 2019).

In accordance with paragraph 3.2(a) of Practice Note 10.1 of the Listing Manual, the net asset value of the assets to be disposed of under Rule 1006(a) includes the net liabilities value of the Sale Shares of approximately HK\$3,410,000 (as at 31 December 2019), the aggregate value of the Sale Loan of HK\$2,499,999 and the aggregate value of the Waived Loan of HK\$4,400,001.

- (2) Based on the net losses attributable to the Sale Shares of HK\$909,000 for the half year ended 31 December 2019 and net profits of the Group of HK\$5,824,000 for the half year ended 31 December 2019.
- (3) Based on the net losses attributable to the Sale Shares of HK\$909,000 for the half year ended 31 December 2019 and net profits of the Group of HK\$32,314,000 for FY2019 ended 30 June 2019.
- (4) Based on the Sale Consideration of HK\$2,500,000, aggregate value of the waived loan of HK\$4,400,001 and the Company's market capitalisation of approximately S\$57,700,000 (HK\$315,800,000) as at 17 March 2020 (being the last full market day prior to the entry into the SPA).

In accordance with paragraph 3.2(b)(i) of Practice Note 10.1 of the Listing Manual, in computing the aggregate value of consideration given or received under Rule 1006(c), the value of the consideration includes the Sale Consideration of HK\$2,500,000 and the aggregate value of the Waived Loan of HK\$4,400,001.

7.2 Classification of the Proposed Disposal under Rule 1006 of the Listing Manual

On the basis of paragraph 4.6 of Practice Note 10.1 to the Listing Manual, Rule 1014 of the Listing Manual applies to the Proposed Disposal. Accordingly, the approval of Shareholders at an SGM is required for the Proposed Disposal.

LETTER TO SHAREHOLDERS

7.3 SGX Consultation

As announced on 18 March 2020 and on 27 April 2020, the Company had, on 6 March 2020, submitted a letter to the SGX-ST (the “**SGX Consultation Letter**”) to seek its guidance pursuant to Rule 1007(1) on the classification of the Proposed Disposal under Chapter 10 of the Listing Manual, as the relative figures computed pursuant to Rule 1006 involve negative figures (the “**Consultation**”). In the alternative, should SGX-ST deem the Proposed Disposal to be a major transaction under Rule 1014 of the Listing Manual pursuant to the Consultation, the Company sought the SGX-ST’s approval for the Company to obtain shareholders’ prior approval for the Proposed Disposal (“**Waiver**”), provided that:

- (a) the Company’s shareholders holding not less than 50% of the total issued shares in the Company provides written undertakings to vote in favour of the Proposed Disposal; and
- (b) the Company convenes an SGM to seek shareholders’ ratification for the Proposed Disposal within three (3) months from the date of approval of the Waiver.

The Company’s reasons for seeking the Consultation and/or the Waiver were as follows:

- (a) the Proposed Disposal would allow the Group to exit from a loss-making investment, with the overall effect of avoiding further impairment and losses to the Group and reducing the Group’s overall risk profile;
- (b) the completion of the Proposed Disposal is subject to any approval required from the SGX-ST, to be obtained within a long-stop date of 45 days from the date of the SPA (the “**Initial Long-Stop Date**”), failing which, the parties shall either agree to extend the Initial Long-Stop Date or, if no agreement is reached, the SPA shall be terminated;
- (c) as the Initial Long-Stop date had been fixed, there is a risk that the counterparty to the SPA would not agree to any extension of the Initial Long-Stop Date if the Company is required to seek shareholders’ prior approval for the Proposed Disposal;
- (d) given the COVID-19 situation and the broader market sentiment at this time, it was a priority for the Company to finalise the transaction as soon as possible on its terms; and
- (e) by obtaining the Waiver, the Company would be able to ensure that the transaction is completed.

7.4 Update on the SGX Consultation Letter and Classification of the Proposed Disposal

The Company had received a reply from the SGX-ST on 25 April 2020, advising the Company that having carefully considered the Company’s grounds for the Waiver, the SGX-ST has decided not to grant the Waiver. In arriving at its decision, the SGX-ST has considered the significant loss on disposal arising from the waiver of the part of the shareholders’ loans granted by the Company to MasterKloud.

8. SERVICE CONTRACT

No person will be appointed to the Board, and no service contract will be entered into by the Company, in connection with the Proposed Disposal.

LETTER TO SHAREHOLDERS

9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

9.1 Interests in the Company

The interests of Directors and Substantial Shareholders as at the Latest Practicable Date, in the Shares (whether direct or deemed) are set out below:

	As at the Latest Practicable Date					
	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors						
Mr. Ng Kin Wing, Raymond	-	-	70,639,950	32.89	70,639,950	32.89
Mr. Ng Mun Kit, Michael	-	-	70,639,950	32.89	70,639,950	32.89
Lee Yiu Chung, Eugene ⁽¹⁾	-	-	5,995,000	2.79	5,995,000	2.79
Prof. Ng Tung Sang ⁽¹⁾	-	-	100,000	0.05	100,000	0.05
Mr. Lim Yew Kong, John	100,000	0.05	-	-	100,000	0.05
Substantial Shareholders						
Asia Platform Investment Limited	70,639,950	32.89	-	-	70,639,950	32.89
Kikki Investment Limited	70,639,950	32.89	-	-	70,639,950	32.89
Ng Yuk Wing, Philip	-	-	72,151,950 ⁽²⁾⁽⁴⁾	33.60	72,151,950	33.60
Ng Mun Kit, Michael	-	-	70,639,950 ⁽²⁾	32.89	70,639,950	32.89
Kikkiy Investment Ltd	-	-	70,639,950 ⁽³⁾	32.89	70,639,950	32.89
Ng Kin Wing, Raymond	-	-	70,639,950 ⁽³⁾	32.89	70,639,950	32.89
Ng Eng Seng	17,220,200	8.02	-	-	17,220,200	8.02

Notes:

- (1) Prof. Ng Tung Sang and Mr. Lee Yiu Chung, Eugene respectively are deemed interested in the shares held by DBS Bank (Hong Kong) Limited.
- (2) Asia Platform Investment Limited is an investment holding company which is owned by Mr. Ng Mun Kit, Michael and Mr. Ng Yuk Wing, Philip.
- (3) Kikki Investment Limited is an investment holding company which is indirectly wholly-owned by Mr. Ng Kin Wing, Raymond. Kikkiy Investment Ltd wholly-own Kikki Investment Limited which holds 70,639,950 shares in the Company.
- (4) 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.

9.2 Interests in the Disposal

None of the Directors or Controlling Shareholders and their respective associates has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings (if any) in the Company.

LETTER TO SHAREHOLDERS

10. UNDERTAKING SHAREHOLDER UNDERTAKINGS

The following shareholders of the Company who hold in aggregate 65.78% of the total number of the Company's voting Shares, have each provided a written unconditional undertaking to the Company to vote in favour of the ordinary resolution in respect of the Proposed Disposal set out in the notice of SGM:

- (a) Asia Platform Investment Limited, which holds approximately 32.89% of the total number of the Company's voting Shares; and
- (b) Kikki Investment Limited, which holds approximately 32.89% of the total number of the Company's voting Shares.

(together, the "Irrevocable Undertakings")

11. DIRECTORS' RECOMMENDATION

Having considered, *inter alia*, the rationale for the Proposed Disposal, the Directors are of the opinion that the Proposed Disposal is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution in respect of the Proposed Disposal set out in the notice of SGM.

12. SPECIAL GENERAL MEETING

The SGM will be held at by way of electronic means on 29 June 2020 at 12.00 p.m. for the purpose of considering and, if thought fit, passing, with or without any modification(s), the ordinary resolution as set out in the Notice of SGM.

13. ACTION TO BE TAKEN BY SHAREHOLDERS

Due to the current COVID-19 restriction orders in Singapore, the SGM will be conducted only by electronic means and Shareholders will not be able to physically attend the SGM. Instead, alternative arrangements have been put in place to allow Shareholders to participate at the SGM by (a) watching the SGM proceedings through a "live" webcast comprising both video (audiovisual) and audio feeds; (b) submitting questions in advance of the SGM, and (c) voting by appointing the Chairman of the meeting as proxy at the SGM. Please refer to the Notice of SGM set out on pages 19 to 22 further details.

Shareholders who wish to attend and vote at the SGM must complete, sign and return the proxy form attached to the Notice of SGM (the "Proxy Form") in accordance with the instructions printed thereon as soon as possible and in any event, not less than 72 hours before the time fixed for the SGM.

14. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, as at the Latest Practicable Date, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular 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 Circular in its proper form and context.

LETTER TO SHAREHOLDERS

15. DOCUMENTS AVAILABLE FOR INSPECTION

Due to the current COVID-19 restriction orders in Singapore, the following documents will NOT be available for inspection by Shareholders at the registered office of the Company:

- (a) the constitution of the Company
- (b) the annual report of the Company for FY2019;
- (c) the SPA; and
- (d) the Irrevocable Undertakings.

The above documents may be accessed on the Company's website at the URL <https://karingroup.com/notice-and-resource-materials-2020-june-29-esgm/>.

Yours faithfully
For and on behalf of the Board of Directors
KARIN TECHNOLOGY HOLDINGS LIMITED

Mr. Ng Kin Wing, Raymond
Executive Chairman and Chief Executive Officer

APPENDIX

Financial Information of MasterKloud

**Statement of Comprehensive Income of MasterKloud
Year ended 30 June**

	30 June 2019*	Period from 6 October 2017 (date of incorporation) to 30 June 2018
	HK\$	HK\$
REVENUE	10,355,373	2,650,895
Other income	8	8
Administrative expenses	(17,457,478)	(8,428,001)
Other expenses	(56,942)	(45,106)
LOSS BEFORE TAX	(7,159,039)	(5,822,204)
Income tax expense	-	-
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(7,159,039)</u>	<u>(5,822,204)</u>

**Statement of Financial Position of MasterKloud
Year ended 30 June**

	30 June 2019*	Period from 6 October 2017 (date of incorporation) to 30 June 2018
	HK\$	HK\$
NON-CURRENT ASSETS		
Property, plant and equipment	608,253	795,831
CURRENT ASSETS		
Deposits	231,874	220,340
Due from the immediate holding company	-	621,276
Other receivable	1,389,333	-
Cash and cash equivalents	2,831	14,116
Total current assets	<u>1,624,038</u>	<u>855,732</u>
CURRENT LIABILITIES		
Increase in accruals and other payables	7,739,767	-
Due to related companies	6,973,767	6,973,767
	<u>14,713,534</u>	<u>6,973,767</u>
NET CURRENT LIABILITIES	(13,089,496)	(6,118,035)
Net liabilities	<u>(12,481,243)</u>	<u>(5,322,204)</u>
DEFICIENCY IN ASSETS		
Share capital	500,000	500,000
Accumulated loss	(12,981,243)	(5,822,204)
Net deficiency in assets	<u>(12,481,243)</u>	<u>(5,322,204)</u>

APPENDIX

**Statement of Cash Flows of MasterKloud
Year ended 30 June**

	30 June 2019* HK\$	Period from 6 October 2017 (date of incorporation) to 30 June 2018 HK\$
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before tax	(7,159,039)	(5,822,204)
Adjustments for:		
Depreciation	262,501	126,176
Bank interest income	(8)	(8)
	(6,896,546)	(5,696,036)
Increase in deposits	(11,534)	(220,340)
Decrease/(increase) in amount due from immediate holding company	621,276	(621,276)
Increase in other receivable	(1,389,333)	-
Increase in accruals and other payables	7,739,767	-
Increase in amount due to related companies	-	6,973,767
	63,630	436,115
Cash generated from operations	8	8
Interest received	63,638	436,123
Net cash flows from operating activities	63,638	436,123
CASH FLOW FROM AN INVESTING ACTIVITY		
Purchase of items of property, plant and equipment	(74,923)	(922,007)
	-	500,000
CASH FLOWS FROM A FINANCING ACTIVITY		
Proceeds from issue of shares	-	500,000
	(11,285)	14,116
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,116	-
Cash and cash equivalents at beginning of period	14,116	-
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	2,831	14,116
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances	2,831	14,116

Note:

* Figures for FY2019 are based on unaudited accounts as audited accounts for FY2019 are not available.

NOTICE OF SPECIAL GENERAL MEETING

KARIN TECHNOLOGY HOLDINGS LIMITED

(Incorporated in Bermuda on 30 August 2002)
(Registration Number: 32514)

PRECAUTIONARY MEASURES AT SGM

In line with the COVID-19 measures, the Company seeks the understanding and cooperation of all shareholders and other attendees to minimise the risk of community spread of COVID-19. As the COVID-19 situation continues to evolve, the Company seek the Shareholders' understanding that further measures and/or changes to the SGM arrangement may be made in the ensuing days up to the day of the SGM. Updates will be posted on the Company's corporate website at (<https://karingroup.com>) and SGX website (www.sgx.com).

NOTICE IS HEREBY GIVEN that the Special General Meeting ("**SGM**") of **KARIN TECHNOLOGY HOLDINGS LIMITED** (the "**Company**") will be convened and held by way of electronic means on 29 June 2020 at 12.00 p.m. (Singapore time), for the purpose of considering, and if thought fit, passing with or without modification(s), the ordinary resolution as set out below:

All undefined terms herein shall bear the same meanings ascribed to them in the circular to shareholders of the Company dated 12 June 2020 (the "**Circular**").

ORDINARY RESOLUTION 1 – APPROVAL OF THE PROPOSED DISPOSAL

THAT:

- (a) approval be and is hereby given to the Directors of the Company for
- (i) the sale of 100,000 shares in MasterKloud Technology Limited, constituting 20% of the equity interest in MasterKloud Technology Limited, to Masterson Technology Limited;
 - (ii) the sale of an existing loan of HK\$2,499,999 owed by MasterKloud Technology Limited to the Company to Masterson Technology Limited; and
 - (iii) the waiver of an existing loan of HK\$4,400,001 owed by MasterKloud Technology Limited to the Company,
- for a consideration of HK\$2,500,000, subject to the terms and conditions of the SPA (the "**Proposed Disposal**").
- (b) any of the Director of the Company be and is hereby authorised to complete and to do all acts and things as he may consider necessary or expedient for the purposes of or in connection with the Proposed Disposal and to give effect to this Ordinary Resolution 1 (including any amendment to the SPA, execution of any other agreements or documents or procurement of third party consents) as he/she shall think fit and in the interests of the Company.

BY ORDER OF THE BOARD

Wong Chi Cheung, Clarence
Chan Lai Yin
Joint Company Secretaries

12 June 2020

NOTICE OF SPECIAL GENERAL MEETING

Notes:

General

1. The SGM 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/notice-and-resource-materials-2020-june-29-esgm/>. This Notice will also be made available on the SGX website at the URL <https://www.sgx.com/securities/companyannouncements>.
2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the SGM in person.** Alternative arrangements relating to attendance at the SGM via 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 SGM, addressing of substantial and relevant questions at the SGM and voting by appointing the Chairman of the Meeting as proxy at the SGM, are set out in the Company's circular dated 12 June 2020. This circular may be accessed at the Company's website at the URL <https://karingroup.com/notice-and-resource-materials-2020-june-29-esgm/>, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

Participation in the SGM via live webcast or live audio feed

3. A shareholder of the Company or their corporate representatives (in the case of a member which is a legal entity) will be able to watch or listen to the proceedings of the SGM through a "live" webcast via mobile phone, tablet or computer ("**Live Webcast**"). In order to do so, the member must pre-register by 12.00 p.m. on 26 June 2020 ("**Registration Deadline**"), at the URL <https://aqm.conveneagm.com/karinegm2020> ("**SGM Website**"), to create an account.
4. Following authentication of his/her/its status as a shareholder of the Company, such shareholder will receive an email on their authentication status and will be able to access the Live Webcast using the account created.
5. Shareholders who have registered by the Registration Deadline in accordance with paragraph 3 above but do not receive an email response by 12:00 p.m. on 28 June 2020 may contact the Company for assistance at the following email address: support@conveneagm.com, with the following details included: (1) the member's full name; and (2) his/her/its identification/ registration number.
6. Non-SRS holders whose shares are registered under Depository Agents ("**DAs**") must also contact their respective DAs to indicate their interest in order for their respective DAs to make the necessary arrangements for them to participate in the Live Webcast of the AGM proceeding.

Submission of questions prior to the SGM

7. A shareholder of the Company may also submit questions relating to the resolutions to be tabled for approval at the SGM. The Company shall only address relevant and substantial questions (as may be determined by the Company in its sole discretion) received. The Company will publish the minutes of the SGM on SGXNET and the Company's website within one month after the date of SGM.
8. To do so, all questions must be submitted no later than the Registration Deadline through any one of the following means:
 - (a) via the SGM Website; or
 - (b) in physical copy by depositing the same at the office of 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) by email to esgm2020@karin.com.hk.

NOTICE OF SPECIAL GENERAL MEETING

9. If the questions are deposited in physical copy at the office of the Company's Share Registrar or sent via email, and in either case not accompanied by the completed and executed Proxy Form (as defined below), the following details must be included with the submitted questions: (i) the member's full name; and (ii) his/her/its identification/registration number for verification purposes, failing which the submission will be treated as invalid.

Voting by proxy

10. Shareholders may only exercise their voting rights at the SGM via proxy voting appointing Chairman of the Meeting. The accompanying proxy form for the SGM may be accessed at the SGM Website, the Company's website at the URL <https://karingroup.com/notice-and-resource-materials-2020-june-29-esgm/>, and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting for or against or abstain from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least 7 working days before the SGM.

11. Shareholders (including Relevant Intermediary*) who wish to vote on any or all of the resolutions at the SGM must submit a proxy form to appoint the Chairman of the Meeting as their proxy to do so on their behalf.
12. 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 SGM 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.KARINproxy@sg.tricorglobal.com,

in either case, **by no later than 12.00 p.m. on 26 June 2020, being 72 hours before the time fixed for the SGM**.

In the case of submission of the Proxy Form other than via the SGM 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.

NOTICE OF SPECIAL GENERAL MEETING

13. A Depositor shall not be regarded as a member of the Company entitled to attend the SGM and to speak and vote (via appointment of the Chairman of the Meeting as his/her/its proxy) thereat unless his name appears on the Depository Register at least 72 hours before the time appointed for holding the SGM, as certified by CDP to the Company.
14. A member may withdraw an instrument appointing the Chairman of the Meeting or other person(s) as proxy(ies) by sending an email to the Company's Share Registrar at sg.is.KARINproxy@sg.tricorglobal.com to notify the Company of the withdrawal, at least 72 hours before the time for holding the SGM.
15. Submission by a member of a valid instrument appointing the Chairman of the Meeting as proxy at least 72 hours before the time for holding the SGM will supersede any previous instrument appointing a proxy(ies) submitted by that member.
- 16. Please note that shareholders will not be able to vote through the Live Webcast and can only vote with their proxy forms which are required to be submitted in accordance with the foregoing paragraphs.**

"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 SGM 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 SGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the SGM (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.