



Karin's FY2019 earnings expand 15.4% as focus on higher margin services and solutions pays off

- Achieves bottomline growth despite a 10.6% decline in revenue amidst a challenging operating environment.
- Proposes final dividend of 7.8 Hong Kong cents per share, which together with interim dividend of 5.8 Hong Kong cents per share, brings total dividend payout in FY2019 to 13.6 Hong Kong cents per share.

12 months ended 30 Jun (HK\$'M)	FY2019	FY2018	% Change
Revenue	1,800.6	2,013.3	(10.6)
<ul style="list-style-type: none"> • Components Distribution • IT Infrastructure • Consumer Electronics Products 	764.5 774.1 262.0	870.1 937.0 206.3	(12.1) (17.4) 27.0
Gross profit	179.7	162.3	10.7
Profit before tax	36.8	34.1	7.9
Net profit attributable to owners of the Company	32.3	28.0	15.4
EPS (HK cts) ^a	15.0	13.0	15.4
NAV per share (HK cts) ^b	210.5 (as at 30 Jun 2019)	204.1 (as at 30 Jun 2018)	3.1

a) Based on 214,700,739 and 214,598,000 weighted average number of ordinary shares in issue for the financial year ended 30 June in both 2019 and 2018 respectively.

b) Based on the issued share capital excluding treasury shares of 214,748,000 and 214,598,000 ordinary shares as at 30 June in both 2019 and 2018 respectively.

SINGAPORE – 28 August 2019 – SGX Mainboard-listed Karin Technology Holdings Limited (嘉靈控股集團有限公司) (“Karin” or together with its subsidiaries, the “Group”), a leading Hong Kong-based electronic and industrial components and IT solutions distributor and outsourcing service provider, today announced a year-on-year (“YOY”) 15.4% increase in net attributable profit to HK\$32.3 million for the 12 months ended 30 June 2019 (“FY2019”), as compared to HK\$28.0 million achieved over the same period the previous year (“FY2018”). The earnings growth was despite a 10.6% decline in revenue to HK\$1,800.6 million in FY2019 from HK\$2,013.3 million in FY2018.

Performance Review

Revenue generated by both of Karin's core Components Distribution (“**CD**”) and IT Infrastructure segments in FY2019 fell by 12.1% and 17.4% lower respectively. The weaker performance of the CD segment was mostly due to tighter credit control through customer selection, and a slow-down in shipments due to requirements from customers on design-in changes on certain electronic components modules for smartphones. Likewise, the IT infrastructure segment also recorded weaker sales mainly due to tighter credit controls through more stringent customer selection in addition to a change in the Group's policy to focus on higher margin business.

The revenue decline from both core segments was offset by a 27.0% YOY expansion in sales by Karin's Consumer Electronic Products (“**CEP**”) segment, from HK\$206.3 million to HK\$262.0 million in FY2019. This was mainly due to the Group's re-investment in retail store business and the successful acquisition of distribution rights for prestigious CEP brands during the period under review.

Karin's gross profit gained 10.7% yoy to HK\$179.7 million, with gross profit margin rising 1.9% points to 10.0% mainly due to its efforts to focus on selling more solutions-based projects in both its CD and IT Infrastructure segments, and its IT Infrastructure segment selling more technical services, which fetch relatively higher margins. The healthy increase in gross profit margin enabled the Group to achieve a 15.4% YOY growth in earnings despite higher expenses mainly from an increase in selling and distribution costs including higher salaries, bonuses and commission to enhance the Group's technical and engineering capabilities, and an increase in shop rental and rates.

The Group's bottomline expansion lifted its earnings per share to 15.0 Hong Kong cents as at 30 June 2019, against 13.0 Hong Kong cents as at 30 June 2018. Net asset value per share rose to 210.5 Hong Kong cents as at 30 June 2019 (30 June 2018: 204.1 Hong Kong cents).

Mr. Raymond Ng (伍建榮), Karin's Executive Chairman and CEO said, *“We are pleased with the overall performance of the company in FY2019, especially taking into account the challenging market conditions and economic headwinds, which have dampened business and consumer sentiments significantly. Our results reflect the success of our strategy to focus on higher-margin services and products across our CD*

and IT Infrastructure segments, and further affirms our decision to re-invest in the retail stores business.”

Dividend

Continuing its track record of paying regular dividends, the Group has proposed a final dividend (tax not applicable) of 7.8 Hong Kong cents per share, amounting to a total of HK\$16,750,000 payable on 21 November 2019. Together with the interim dividend of 5.8 Hong Kong cents per share, this brings the total dividend for FY2019 to 13.6 Hong Kong cents per share.

Business Outlook & Plans

Karin expects ongoing trade tensions between China and the United States; volatility in exchange rates; and the recent social instability in Hong Kong may have a negative impact on its financial results over the next 12 months. However, the Group remains cautiously optimistic about the opportunities available across its CD, IT Infrastructure and CEP segments.

Mr. Ng said, *“We expect sales in the CD segment to remain healthy due to the completion of new design-in on certain electronic component modules for smartphones. We are also expecting sustainable demand for solution product projects on wireless appliances for the consumer, medical and commercial sectors over the next 12 months.*

“We expect the IT segment to continue generating healthy sales as the demand for cybersecurity, enterprise cloud solution and services and data management is set to grow as organisations increasingly embrace digital business models. We have also seen consistent positive performance in the CEP segment and expect to maintain this with the addition of new distribution rights for some prestigious CEP brands.”

In addition, the Group is closely monitoring the IoT (Internet of Things) sector in relation to Hong Kong’s smart city ambitions as it expects this to open up opportunities for all its business segments.

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About Karin Technology Holdings Limited

Listed on the Mainboard of the Singapore Exchange since 2005, Karin is a leading electronic and industrial components distributor and IT solutions integrator and outsourcing service provider in Hong Kong and the People's Republic of China. Established in 1977, Karin has been principally engaged in the electronic and industrial components and computer distribution business for various segments of the electronics industry, including the communications, computer, electrical appliances and utility segments. Karin expanded its business to include the provision of outsourcing services such as IC application design solutions and data storage management solutions, riding on the increasing demand for IC software applications in the 1990s. For more information, please visit: <http://www.karingroup.com/eng/global/home.php>.

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