



嘉靈集團
KARIN
GROUP

嘉靈控股集團有限公司

Karin Technology Holdings Limited

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

DISPOSAL OF INTERESTS IN MASTERKLOUD TECHNOLOGY LIMITED

The Board of Directors of Karin Technology Holdings Limited (the “**Company**” or together with its subsidiaries, the “**Group**”) refers to its previous announcement on 21 December 2017 (“**Previous Announcement**”) and wishes to announce that in the evening on 17 March 2020, the Company has entered into an agreement for (i) the sale of 100,000 shares in MasterKloud Technology Limited (“**MasterKloud**”), constituting 20% equity interest in MasterKloud (the “**Sale Shares**”), to Masterson Technology Limited (“**Masterson**”) (the “**Sale**”); and (ii) the sale of an existing loan owed by MasterKloud to the Company of HK\$2,499,999 to Masterson, in return for the waiver by the Company of the remaining loan of HK\$4,400,001 owed to it by MasterKloud (“**Loan Repayment**”) (the “**Sale Agreement**”).

INFORMATION ON THE SALE AND LOAN REPAYMENT

MasterKloud was incorporated in Hong Kong and became a joint venture company between the Company (with 20% equity interest) and Masterson (with 80% equity interest) on 21 December 2017, with its principal activity is to engage in Cloud-related technology services and the hosting of cloud solutions for corporations and enterprise customers.

On 28 May 2018, an accumulated shareholder’s loan of HK\$6,900,000.00 was provided by the Company to MasterKloud on an interest-free basis and as of the date of this announcement, the full amount remains outstanding and payable.

INFORMATION ON MASTERSON

Masterson is founded in 2013 and has been involved in cloud services delivery since 2013.

CONSIDERATION

The consideration for the Sale is HK\$2,500,000, which was arrived at after arm’s length negotiations, on a willing-buyer, willing-seller basis. When arriving at the consideration, the Company has also taken into account the following:

- (a) as at 31 January 2020, MasterKloud has recorded accumulated losses of approximately HK\$19.2 million with a net liability value of approximately HK\$18.7 million; and
- (b) pursuant to the Loan Repayment, the Company will recover HK\$2,499,999 from Masterson in return for the waiver of the remaining loan of HK\$4,400,001 to MasterKloud.

The Company is also entitled under the Sale Agreement to further consideration in the event of certain shareholding changes or creation of encumbrance over the shares of MasterKloud and/or Masterson.

OTHER MATERIAL TERMS OF THE SALE AGREEMENT

The Completion of the Sale is subject to any approval required from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), to be obtained within a long-stop date of 45 days from the date of the Sale Agreement (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. Please see below “*Consultation with the SGX-ST under Rule 1007(1) of Chapter 10 of the SGX-ST Listing Manual*” for further information on the approval required.

FINANCIAL EFFECTS OF THE SALE

The book value of the Sale Shares is nil as the Company has written off its investment since 30 June 2018, there will not be any excess or deficit over the proceeds. The Sale will result in a loss on disposal for the Group of HK\$4.4 million.

Assuming that the Sale had been effected on 30 June 2019, the net tangible assets per share of the Group as at 30 June 2019 will remain unchanged at HK\$2.105.

Assuming that the Sale had been effected on 1 July 2018, the earnings per share and of the Group for the year ended 1 July 2018 will remain unchanged at earnings per share of HK\$2.041.

RATIONALE AND USE OF PROCEEDS

The Group is of the view that the Sale will allow the Company to streamline its losses in investment in MasterKloud and to dispose of a loss-making investment.

The Group’s investment in MasterKloud is not a core business of the Group and the Sale will reduce the risk profile of the Group given that it will be able to avoid further impairment and losses after its exit.

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

RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

In determining the classification, the Company had computed the following relative figures for the Proposed Disposal using applicable bases under Rule 1006 of the SGX-ST Listing Manual of in respect of the Sale:

<u>Rule 1006(a)</u> The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets.	-1.73% ⁽¹⁾
<u>Rule 1006(b)</u> The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.	-15.61% ⁽²⁾
<u>Rule 1006(c)</u> The aggregate value of the consideration ⁽³⁾ given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	0.79% ⁽⁴⁾

<p><u>Rule 1006(d)</u> The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue</p>	<p>Not applicable as no equity securities will be issued.</p>
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Notes:

- (1) Based on the net liabilities value of the Sale Shares of HK\$7.81 million and net assets value of the Company of HK\$451.97 million, as of 31 December 2019.
- (2) Based on the net losses generated by the Sale Shares of HK\$0.91 million for the half year ended 31 December 2019 and net profits of the Group of HK\$5.82 million for the half year ended 31 December 2019.
- (3) Based on the market capitalisation of the Company of S\$57.7 million (HK\$315.8 million), on 17 March 2020, being the last full market day prior to the entry into the Sale Agreement.
- (4) Based on the aggregate value of the consideration received for the Sale Shares of HK\$2.5 million.

CONSULTATION WITH THE SGX-ST UNDER RULE 1007(1) OF CHAPTER 10 OF THE SGX-ST LISTING MANUAL

On 6 March 2020, the Company submitted a letter to the SGX-ST to seek its guidance pursuant to Rule 1007(1) on the classification of the Sale under Chapter 10 of the SGX-ST Listing Manual, as the relative figures computed pursuant to Rule 1006 (as set out above) involve a negative figure and the Sale does not fall within the applicable circumstances as set out in Practice Note 10.1 (the “**SGX-ST Consultation Letter**”).

The Company will make further announcements to its shareholders as and when necessary pursuant to the receipt of any response to the SGX-ST Consultation Letter.

INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

To the best knowledge of the Directors, none of the substantial shareholders of the Company has any interest, direct or indirect, in the Sale, save through their shareholdings in the Company.

SERVICE CONTRACTS

No person is proposed to be appointed to the Company in connection with the Sale, and accordingly, no service contracts in relation thereto will be entered into by the Company.

DOCUMENTS FOR INSPECTION

A copy of the Sale Agreement will be made available for inspection during normal business hours, on any weekday (public holidays excepted), at the office of the Company’s local share transfer agent, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.), at 80 Robinson Road #02-00 Singapore 068898 for a period of three (3) months from the date of this announcement.

By Order of the Board

Wong Chi Cheung, Clarence
Financial Controller /Joint Company Secretary

18 March 2020