



嘉靈集團
KARIN
GROUP

嘉靈控股集團有限公司

Karin Technology Holdings Limited

(Incorporated in Bermuda with Company Registration Number 32514)

RESPONSES TO QUESTIONS RECEIVED FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2026

The Board of Directors (the “**Board**”) of Karin Technology Holdings Limited (the “**Company**” or together with its subsidiaries, the “**Group**”) refers to questions raised by the Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Company’s annual report for the financial year ended 30 June 2026.

The questions raised by SIAS and the Company’s corresponding responses are set out below:

Question 1

The group’s FY2026 revenue growth was driven by the Information Technology (IT) infrastructure segment, which increased by 29.9% year-on-year to HK\$1.87 billion from HK\$1.44 billion, supported by larger projects amid rising public and private sector investment in AI infrastructure.

- (i) How much longer does management expect the current AI infrastructure investment cycle to support growth in the IT Infrastructure segment? Does management see any signs of speculative or FOMO-driven investment in AI infrastructure among its customers?

Reply

The accelerating adoption of AI infrastructure across both public and private sectors represents Karin’s most significant growth opportunity in the years ahead. This momentum is reinforced by our established position as a major distributor serving multinational and mainland Chinese customers. We believe our customers recognise that AI is a powerful and transformative force, and many are already preparing for its expanding role in their operations.

This outlook is further supported by initiatives such as the Hong Kong Government’s AI+ Strategy, which aims to drive broader AI adoption and create favourable conditions for AI to enable industry transformation and development¹. As commercial models continue to evolve around AI-related technologies, we expect technology investments in the market to grow in tandem.

Management remains focused on aligning the Group’s business development with market demand for digital transformation, encompassing AI, cloud, cybersecurity, data solutions, and other emerging technologies, to ensure Karin is well-positioned to capture a growing market.

¹ Hong Kong government: [2026-2027 Budget Speech](#)

Question 1 (cont'd)

At the group level, gross profit margin declined 1.4 percentage points to 7.8%, reflecting competitive pricing across all three segments of the group. In IT infrastructure, segment results fell from HK\$43.1 million to HK\$30.0 million, a decline of more than 30% despite the HK\$430 million top line growth.

Employee benefit expenses remained broadly stable at approximately HK\$130 million at the group level.

- (ii) Can management help shareholders better understand the deterioration in segment profitability despite the significant revenue growth? What specifically drove the deterioration in project economics, and how much of the decline was attributable to lower pricing, project mix or higher direct costs? Does management see the higher cost base as structural in nature?

Reply

The drop in segment profitability, despite strong revenue growth, reflects the increasingly competitive nature of the technology industry and the rising cost pressures across our supply chain. While demand for IT infrastructure and AI-related solutions accelerated, project economics were affected by several factors.

First, supplier pricing increased significantly during the year, driven by tighter component availability, higher manufacturing costs, and selective price adjustments by upstream vendors. As the increments may not be completely transferable to customers, gross margins were compressed, even as volumes grew.

Second, project mix shifted toward lower-margin solution bundles, especially those involving hardware-heavy deployments. Whilst these projects contributed to revenue growth, they carried thinner margins compared with software, cloud, or service engagements. The Group also undertook several strategic projects to deepen customer relationships and secure future pipeline opportunities, which delivered lower near-term profitability.

Third, direct costs rose, including logistics, technical resourcing, and implementation-related expenses. The industry's rapid adoption of AI and advanced infrastructure has increased the need for specialised technical capabilities, and the cost of acquiring and retaining such talent has risen accordingly.

- (iii) What specific measures can management implement to restore margins in this competitive environment, and what improvement in gross and net margin does it expect to achieve over the next two years?

Reply

We are actively implementing measures to improve project economics, including tighter cost controls, more disciplined bid management, and a strategic shift toward higher-margin solutions and services.

Question 2

The proposed sale of the Karin Building has been called off, as the board considers it prudent to retain the property rather than divest it at a sub-optimal price amid prevailing Hong Kong property market conditions.

Following the cancellation of the sale, the building was reclassified from an asset held for sale to property, plant and equipment, resulting in a one-off, non-cash catch-up depreciation charge of HK\$35.3 million and a deferred tax expense of HK\$3.2 million.

Question 2 (cont'd)

- (i) Following the decision to retain the building, what is the board's current strategy for the asset? Does it intend to lease it, undertake refurbishment or redevelopment, or reconsider a sale when market conditions improve? What is the physical condition of the Karin Building?

Reply

The one-off, non-cash catch-up accounting adjustments arose from the accounting requirements and do not reflect any change in intention to dispose of the Karin Building. Management remains open to a divestment at fair market value. In the interim, the Karin Building continues to be utilised, even though the entire property remains available for sale.

- (ii) Are any floors or areas occupied, and what is the current rental income generated by the property, if any?

Reply

At present, the building serves primarily as the Group's logistics hub, and we also generate ancillary service income through logistics support provided to customers.

- (iii) How do recent property transactions in the Kwun Tong area compare with the Karin Building in terms of price per square foot, occupancy and building condition? What do these transactions indicate about the building's current market value and realistic disposal prospects?

Reply

Industrial property transactions in Kwun Tong are not directly comparable, as most recent deals involve individual floors or subdivided units, whereas the Karin Building is an en bloc asset. We believe the property carries a meaningful premium for end-users or developers seeking a high-quality building suitable for refurbishment or special-purpose use, particularly given its condition and its strategic location within the Kowloon East Central Business District.

- (iv) Given the building's age, has the board assessed the capital expenditure required for major repairs, alterations and additions, or upgrading works to maintain its competitiveness? What investment would be required?

Reply

Routine maintenance work has been undertaken as part of our normal upkeep. The building has been consistently maintained throughout its use in daily operations, and the associated costs remain minimal.

Question 3

On 19 May 2026, the Company announced non-binding memoranda of understanding ("MOUs") for the proposed acquisitions of the entire issued share capital of two Hong Kong IT companies. One develops a proprietary agentic AI platform for enterprise productivity applications, while the other provides API-first enterprise solutions that could support the integration and deployment of agentic AI.

On 15 September 2026, the Company entered into addenda extending the exclusivity periods under both MOUs to 31 December 2026.

- (i) What investment criteria have the directors established for these acquisitions, particularly in assessing strategic fit, valuing the target businesses and structuring consideration? Will any deferred consideration or performance-linked incentives be used to align the vendors' rewards with the businesses' actual post-acquisition performance?

Question 3 (cont'd)

Reply

The proposed acquisitions include:

- (i) An AI company at the forefront of Agentic AI, offering its self-developed advanced and secured Agentic AI platform, which enables significant use cases to augment productivity in different business functions of their enterprise customers, and
- (ii) An experienced Application Programming Interface (“**API**”) platform company offering API-First enterprise solutions and providing the API layer for Agentic AI solutions.

The proposed acquisitions represent a significant step towards the Group’s strategy to expand its footprint and deepen its presence in the AI solutions sector, especially Agentic AI. Demand for Agentic AI in Hong Kong is surging across enterprise operations in different industries, backed by heavy public-private initiatives.

The proposed acquisitions will complete our offerings to provide a full stack of proven, secured Agentic AI solutions for on premise / hybrid deployment that has a significant demand by enterprises which cannot put their data and use AI on the cloud or which prefer to control their AI spending fixed on premise. We’ll become uniquely positioned to meet such on premise / hybrid deployment demand and strongly differentiate from the AI cloud platform providers.

In addition, our on premise / hybrid Agentic AI offerings will also help to pull through other AI products such as AI infrastructure and AI security that the Group distributes.

- (ii) How has the board validated the technical capabilities and commercial viability of the two target companies? In particular, what evidence supports the competitiveness of their technology, the strength of customer demand and their ability to generate sustainable revenue?

Reply

We have been partnering with the 2 target companies for joint solution design and joint marketing to enterprise customers since 2025. We already have joint customer wins and success. We have also used our joint Agentic AI solution to improve the back-end processes of the Group and the potential improvement is significant.

The business potential of the 2 target companies are also reflected by their financials. One of the target companies already has stable customers, revenue and profits in recent years while another target company also started to have its customers and revenue.

The proposed acquisitions are expected to provide the Group with immediate access to an AI competent and collaborative team, an established enterprise client base across sectors, alongside synergistic technology alliances with a range of leading industry players.

In our preliminary acquisition offer, a significant portion of the consideration is structured as deferred payments and performance-linked incentives, with the aim of retaining key talents and supporting post-acquisition performance. These terms remain subject to the outcome of due diligence and final negotiations.

During the year, the Group reorganised its senior management team to strengthen its focus on AI, network cybersecurity and IT infrastructure, including enhancing the leadership depth with specialist expertise needed to execute a more technology-forward strategy.

Question 3 (cont'd)

- (iii) Does the group have the technical talent and management capabilities required to integrate and scale the proposed AI businesses? What critical capability gaps remain, if any, and how would the acquisitions, if they proceed, alter the risk profile of the group?

Reply

In May 2025, the Group announced key enhancements to its management structure to sharpen our strategic focus on AI-related opportunities and position the Company for its next phase of growth. Ms. Yan Yuk Ping, Juni (“**Ms. Juni Yan**”) was re-designated as Executive Director from her previous role as Independent Director and concurrently appointed Chief Growth and Transformation Officer, responsible for driving new growth initiatives by leveraging advancements in AI and emerging technologies. Ms. Juni Yan brings proven success in building AI-driven businesses and extensive experience in helping enterprises unlock the value of AI and data to enable innovation and digital transformation. Further details on her background are provided on page 13 of our 2026 Annual Report.

We have been partnering with the target companies for joint solution design and joint marketing since 2025, and have established smooth working relationships and synergy. We have designed incentives in our preliminary acquisition offer to retain the team and drive post-acquisition performance.

The Group continues to nurture core talent while investing in new capabilities to ensure our organisation remains ahead of market and technology trends. We expect the new talent brought in through the proposed acquisitions to further strengthen our technical expertise and AI capabilities, supporting our long-term growth vision.

To support scaling up our AI business, we will make good use of our Agentic AI solution, knowledge and expertise, and use AI agents to augment our workforce. The target companies have already adopted such agentic workforce approach effectively and efficiently.

Overall, the proposed acquisition supports the Group's plans to expand our strategic focus on AI and to capture more AI-related growth opportunities, which are crucial to sustain our business and growth in the IT sector.

By Order of the Board

Lam Cheuk Yin, Kenneth
Finance Director and Joint Company Secretary

21 October 2026