

NEWS RELEASE

Karin Remains Profitable Despite Economic Downturn

- Revenue – HK\$756.9 million
- Net Profit – HK\$9.1 million
- Positive Cash Balance of HK\$44.7 million
- Proposed Interim Dividend of HK3.2 cents per share

Singapore, 10 February 2010 – Singapore Exchange (“**SGX**”) Mainboard listed Karin Technology Holdings Limited (“**Karin**” or the “**Group**”), a leading IT and components solutions and services provider in Hong Kong and the People’s Republic of China (“**PRC**”), today announced its financial results for the six months ended 31 December 2009 (“**1HFY10**”).

Karin continued to post a healthy set of results in 1HFY10 amidst the global financial crisis which has negatively impacted the electronics industry. In the weakened economic climate which saw many companies posting huge losses, Karin bucked the trend by registering a net profit of HK\$9.1 million, coupled with a healthy cash balance of HK\$44.7 million.

Karin’s total revenue in 1HFY10 amounted to HK\$756.9 million, a decrease of 16.2% from HK\$902.8 million for the same period last year. The decrease was due mainly to a decrease in revenue from its three business segments – Information Technology Infrastructure (“**IT Infrastructure**”) segment, Components Distribution segment and Integrated Circuit Application Design (“**ICAD**”) segment.

The Group’s main revenue contributor, the IT Infrastructure segment, saw its revenue decreased by HK\$44.7 million or 9.7%, from HK\$460.9 million in 1HFY09 to HK\$416.2 million for the current period. The reduction was due mainly to a decline in demand for various computer products and peripherals which fall under this segment as well as a decline in demand for our products from customers in the financial services industry. Revenue from the Components Distribution segment decreased by HK\$23.3 million or 8.0%, from HK\$289.9 million in 1HFY09 to HK\$266.6 million in 1HFY10. The decrease was due largely to a drop in demand for electronic components in mobile phones and computers. The ICAD segment also saw its revenue decrease by HK\$77.9 million or 51.3%, from HK\$152.0 million in 1HFY09 to HK\$74.1 million in 1HFY10. The drop in revenue was due mainly to the decrease in demand for toys in Northern America and Western Europe.

Correspondingly, the Group’s gross profit decreased 20.2% from HK\$86.5 million in 1HFY09 to HK\$69.0 million in 1HFY10 while gross profit margin slipped marginally from 9.6% to 9.1% for the same period.

In line with the weaker revenue in 1HFY10, the group tightened expenses with selling and distribution costs reduced by HK\$0.7 million from HK\$27.3 million in 1HFY09 to HK\$26.6 million in 1HFY10. This cost reduction was attributed mainly to a decrease in bonus and commission paid to sales staff.

Administrative expenses decreased by 4.1% from HK\$29.1 million in 1HFY09 to HK\$27.9 million in 1HFY10, not through any staff retrenchments or salary cuts, but due mainly to the reduction in net profit linked staff bonus for supporting staff.

Despite such difficult conditions, Karin managed to remain profitable in 1HFY10 with net profit attributable to equity holders registering HK\$9.1 million. On the Group's balance sheet, its cash position remained strong at HK\$44.7 million as at 31 December 2009. The Group's gearing ratio is 0.13 times, with total interest-bearing loans and borrowings at 31 December 2009 amounting to HK\$33.6 million.

Commenting on the Group's 1HFY10 results, Executive Chairman of Karin, Mr. Philip Ng said, "In spite of the highly challenging economic climate last year, Karin is proud to remain profitable in 1HFY10. The economic downturn presented us with a good opportunity to improve our efficiency in work operations and at the same time, enhance our cost savings measures."

China's economic growth is expected to continue in 2010, thus increasing the success rate of the Group's new projects in the pipeline. Should certain projects turn fruitful, it will contribute significantly to Karin's financial performance in the next 12 months.

To reward Karin's loyal shareholders, the Directors have declared an interim dividend of HK 3.2 cents per share, which will be paid to shareholders on 25 March 2010. Commenting on the interim dividend, Mr. Philip Ng added, "In view of our healthy cash balance position and those projects which we are bidding for in the Mainland China relating basic infrastructure, high speed rail and airport projects and have relatively higher margins, the Board of Directors is cautiously optimistic of the financial performance for the full year. As such, an interim dividend amounting to HK\$6,524,000 has been declared.

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