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kinetix

KINETIX SYSTEMS HOLDINGS LIMITED

捷冠控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8606)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2019**

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2019

The board of directors (the “Board”) of Kinetix Systems Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2019, together with the unaudited comparative figures for the corresponding period in 2018 as follows: –

QUARTERLY CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2019

| | | Three months ended | |
|--|--------------|---------------------------|-----------------|
| | | 31 March | |
| | | 2019 | 2018 |
| | | (Unaudited) | (Unaudited) |
| | <i>Notes</i> | HK\$'000 | <i>HK\$'000</i> |
| Revenue | 5 | 51,662 | 49,259 |
| Cost of sales | | <u>(40,281)</u> | <u>(36,554)</u> |
| Gross profit | | 11,381 | 12,705 |
| Other income | 5 | 23 | 1 |
| Selling expenses | | (1,392) | (1,190) |
| Administrative and general expenses | | (5,388) | (6,525) |
| Listing expenses | | – | (598) |
| Finance costs | | <u>(46)</u> | <u>–</u> |
| Profit before tax | | 4,578 | 4,393 |
| Income tax | 6 | <u>(694)</u> | <u>(548)</u> |
| Profit for the period | | 3,884 | 3,845 |
| Other comprehensive income | | <u>–</u> | <u>–</u> |
| Total comprehensive income for the period | | <u>3,884</u> | <u>3,845</u> |
| Attributable to: – | | | |
| Owners of the Company | | 3,803 | 3,845 |
| Non-controlling interests | | <u>81</u> | <u>–</u> |
| Total comprehensive income for the period | | <u>3,884</u> | <u>3,845</u> |
| | | <i>HK cents</i> | <i>HK cents</i> |
| Earnings per share | | | |
| – Basic and diluted | 8 | <u>0.49</u> | <u>0.64</u> |

QUARTERLY CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

| | Attributable to owners of the Company | | | | Total | Non-controlling interest | Total equity |
|--|---------------------------------------|---------------|---------------|------------------|---------------|--------------------------|---------------|
| | Share capital | Share premium | Other reserve | Retained profits | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | | |
| 1 January 2018 (audited) | –* | – | 10 | 44,542 | 44,552 | – | 44,552 |
| Profit for the period | – | – | – | 3,845 | 3,845 | – | 3,845 |
| Other comprehensive income for the period | – | – | – | – | – | – | – |
| Total comprehensive income for the period | – | – | – | 3,845 | 3,845 | – | 3,845 |
| 31 March 2018 (unaudited) | –* | – | 10 | 48,387 | 48,397 | – | 48,397 |
| 1 January 2019 (audited and as previously reported) | 8,000 | 43,199 | 10 | 35,534 | 86,743 | 32 | 86,775 |
| Impact on initial application of HKFRS 16 (Note 3) | – | – | – | (120) | (120) | – | (120) |
| As at 1 January 2019 (unaudited and restated) | 8,000 | 43,199 | 10 | 35,414 | 86,623 | 32 | 86,655 |
| Profit for the period | – | – | – | 3,803 | 3,803 | 81 | 3,884 |
| Other comprehensive income for the period | – | – | – | – | – | – | – |
| Total comprehensive income for the period | – | – | – | 3,803 | 3,803 | 81 | 3,884 |
| 31 March 2019 (unaudited) | 8,000 | 43,199 | 10 | 39,217 | 90,426 | 113 | 90,539 |

* Less than HK\$1,000.

NOTES TO THE QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2019

1. GENERAL

The Company was incorporated in Cayman Islands on 16 September 2016 as an exempted company with limited liability. The registered office of the Company is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108 Cayman Islands.

The Company is an investment holding company while its subsidiaries' principal businesses are provision of information technology ("IT") infrastructure solutions services, IT development solutions services and IT maintenance and support services.

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited quarterly condensed consolidated financial statements for the three months ended 31 March 2019 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The principal accounting policies used in preparing the unaudited quarterly condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

The unaudited quarterly condensed consolidated financial statements have been prepared under the historical cost basis and presented in Hong Kong dollars ("HK\$"). All values are rounded to the nearest thousand except when otherwise indicated. The unaudited quarterly condensed consolidated financial statements have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by HKICPA for the first time in the current year: –

| | |
|-----------------------|--|
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term interests in Associates and Joint Ventures |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015–2017 Cycle |

The accounting policies adopted in the preparation of the unaudited quarterly condensed consolidated financial statements are same as those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the new and revised HKFRSs and interpretations issued by HKICPA that are first effective for the current accounting period of the Group. There has been no significant change to the accounting policy applied in these unaudited quarterly condensed consolidated financial statements for the period presented as a result of adoption of these amendments, except for the adoption of HKFRS 16 "Leases".

HKFRS 16 “Leases”

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease expenses were recognised in the consolidated statement of comprehensive income over the lease period on a straight-line basis.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate as of 1 January 2019. The weighted average Group’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.12%.

Right-of-use assets are measured at their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the Group’s incremental borrowing rate at the date of initial application.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

On transition of HKFRS 16, the Group recognised right-of-use assets and lease liabilities, with difference recognised in retained earnings on 1 January 2019. The impact of such on transition is summarised below:

Consolidated Statement of Financial Position

| | As at 1 January 2019 HK\$’000 |
|---|--|
| Increase in right-of-use assets | 5,479 |
| Decrease in trade and other payables and accruals | (563) |
| Increase in lease liabilities | 6,162 |
| Decrease in retained earnings | (120) |
| | <hr/> <hr/> |

4. SEGMENT INFORMATION

The chief operating decision makers are identified as the executive directors of the Company. The Group has identified its operating segment based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation and review of performance. For the reporting period, the executive directors have considered the only operating segment of the Group is the provision of IT infrastructure solutions services, IT development solutions services and IT maintenance and support services.

Geographical information

The following is an analysis of the Group's revenue by the geographical locations of customers.

| | Three months ended | |
|-----------|--------------------|---------------|
| | 31 March | |
| | 2019 | 2018 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Hong Kong | 47,784 | 48,479 |
| Macau | 3,685 | 780 |
| Singapore | 193 | – |
| | <u>51,662</u> | <u>49,259</u> |

5. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income is as follows: –

| | Three months ended | |
|---|--------------------|---------------|
| | 31 March | |
| | 2019 | 2018 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Revenue | | |
| IT infrastructure solutions services income | 25,094 | 29,331 |
| IT development solutions services income | 19,092 | 12,464 |
| IT maintenance and support services income | 7,476 | 7,464 |
| | <u>51,662</u> | <u>49,259</u> |

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 5(a).

(a) **Disaggregation of revenue**

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the executive directors of the Company for the purposes of resource allocation and assessment of segment performance for the period is set out below.

| | For the three months ended 31 March 2019 | | | |
|---|---|--------------------|--------------------|--------------------|
| | IT solutions services | | | |
| | IT | IT | IT | |
| | Infrastructure | development | maintenance | |
| | solutions | solutions | and support | |
| | services | services | services | Total |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Disaggregated by timing of revenue recognition | | | | |
| A point in time | 24,179 | – | – | 24,179 |
| Over time | 915 | 19,092 | 7,476 | 27,483 |
| | 25,094 | 19,092 | 7,476 | 51,662 |
| Revenue from external customers | 25,094 | 19,092 | 7,476 | 51,662 |

| | For the three months ended 31 March 2018 | | | |
|---|---|--------------------|--------------------|--------------------|
| | IT solutions services | | | |
| | IT | IT | IT | |
| | Infrastructure | development | maintenance | |
| | solutions | solutions | and support | |
| | services | services | services | Total |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Disaggregated by timing of revenue recognition | | | | |
| A point in time | 26,910 | – | – | 26,910 |
| Over time | 2,421 | 12,464 | 7,464 | 22,349 |
| | 29,331 | 12,464 | 7,464 | 49,259 |
| Revenue from external customers | 29,331 | 12,464 | 7,464 | 49,259 |

Other income

The balance mainly represents bank interest income and sundry income for the three months ended 31 March 2019 and 31 March 2018.

6. INCOME TAX

| | Three months ended | |
|---------------------------|--------------------|-------------|
| | 31 March | |
| | 2019 | 2018 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Current tax | 651 | 548 |
| Prior year underprovision | 43 | – |
| | <u>694</u> | <u>548</u> |

Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for both periods. Overseas taxation is calculated at tax rates applicable to jurisdictions in which the Group operates. Pursuant to the rules and regulations of Cayman Islands, the Company was not subject to any taxation under the jurisdictions of Cayman Islands during the relevant periods.

7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the three months ended 31 March 2019 (31 March 2018: nil).

8. EARNINGS PER SHARE

| | Three months ended | |
|---|--------------------|----------------|
| | 31 March | |
| | 2019 | 2018 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Profit and total comprehensive income for the period attributable to the owners of the Company | <u>3,884</u> | <u>3,845</u> |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (<i>in thousand</i>) | <u>800,000</u> | <u>600,000</u> |

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the capitalisation issue disclosed in the prospectus dated 30 June 2018 (the “Prospectus”) had been effective on 1 January 2018.

No adjustment has been made to the basic earnings per share amounts presented for the three months ended 31 March 2019 and 31 March 2018 as the Group had no potentially dilutive ordinary shares in issue for the relevant periods ended. The basic earnings per share equals to the diluted earnings per share.

9. SHARE CAPITAL

| | Number of ordinary shares of the Company | Share capital <i>HK\$'000</i> |
|--|---|--|
| Authorised ordinary shares of HK\$0.01 each: – | | |
| At 1 January 2018 and 31 March 2018 | 38,000,000 | 380 |
| Increased on 22 June 2018 | <u>9,962,000,000</u> | <u>99,620</u> |
| | | |
| At 31 March 2019 | <u><u>10,000,000,000</u></u> | <u><u>100,000</u></u> |
| | | Share capital <i>HK\$'000</i> |
| Issued and fully paid: – | | |
| | | |
| 100 ordinary shares as at 1 January 2018 and 31 March 2018 | | –* |
| Capitalisation issue of 599,999,900 shares on 16 July 2018 | | 6,000 |
| Issuance of 200,000,000 new shares on 16 July 2018 | | <u>2,000</u> |
| | | |
| At 31 March 2019 | | <u><u>8,000</u></u> |
| | | |
| * Less than HK\$1,000. | | |

MANAGEMENT DISCUSSION AND ANALYSIS

Established in 1998, we are currently a well-established IT services provider with business portfolio including provision of IT infrastructure solutions services, IT development solutions services, and IT maintenance and support services, with approximately 20 years of experience in the IT consulting services industry in Hong Kong. Our principal businesses include IT infrastructure solutions services, IT development solutions services and IT maintenance and support services.

BUSINESS REVIEW AND OUTLOOK

For the three months ended 31 March 2019 (“Quarterly 2019”), the Group recorded a profit attributable to owners of the Company of approximately HK\$3.8 million as compared to the profit attributable to owners of the Company of approximately HK\$3.8 million for the three months ended 31 March 2018 (“Quarterly 2018”). No significant fluctuation was noted.

Provision of IT infrastructure solutions services

This segment provides IT infrastructure solutions services to our clients by advising them the hardware and/or software that their IT systems would require and procuring the relevant hardware and/or software. The revenue generated from this segment in Quarterly 2019 amounted to approximately HK\$25.1 million, representing approximately 48.6% of the total revenue for Quarterly 2019. The revenue derived from this segment decreased by approximately 14.3% from approximately HK\$29.3 million for Quarterly 2018 to approximately HK\$25.1 million for Quarterly 2019. The decrease was primarily due to decrease in total numbers and average project size of IT infrastructure solutions services projects undertaken in Quarterly 2019.

Provision of IT development solutions services

This segment provides IT development solutions services that generally include system analysis and design, software development and technology consultancy. The revenue generated from this segment accounted for approximately 37.0% of the total revenue for Quarterly 2019. The revenue from this segment increased by approximately 52.8% from approximately HK\$12.5 million for Quarterly 2018 to approximately HK\$19.1 million for Quarterly 2019, the increase was primarily due to the increase in total number of IT development solutions services projects undertaken and increase in average amount of revenue recognized per project in Quarterly 2019.

Provision of IT maintenance and support services

This segment provides IT maintenance and support services. The revenue generated from this segment amounted to approximately HK\$7.5 million, representing approximately 14.5% of the total revenue for Quarterly 2019. No significant fluctuation was noted.

PROSPECTS AND OUTLOOK

For Quarterly 2019, the Group maintained our target to record relatively stable revenue and profit, a number of factors could come into play that may affect our performance. Considering that the global business environment will still remain challenging. In the view of the uncertain business environment due to the risk of the US-China trade war which may exacerbate geopolitical tensions and lead to negative impacts on the global economy. The Group anticipates that it will continue to face various risks and uncertainties that may adversely affect its business and overall short-term performance. This will cause the Group to reduce orders and fulfilment. It will put pressure on our pricing terms and our profitability in the short term. We will closely monitor the impact of the macro issues on performance and will set our strategies cautiously to manage these factors with the aim to deliver the best possible results to our shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue for Quarterly 2019 amounted to approximately HK\$51.7 million, representing an increase of approximately HK\$2.4 million or 4.9% compared to Quarterly 2018 (2018: approximately HK\$49.3 million). The increase was attributable to increase in revenue generated from provision of IT development solutions services by approximately HK\$6.6 million; and was offset by decrease in provision of IT infrastructure solutions services by approximately HK\$4.2 million.

Gross profit and gross profit margin

The gross profit of the Group decreased by approximately 10.2% from approximately HK\$12.7 million for Quarterly 2018 to approximately HK\$11.4 million for Quarterly 2019 as the decrease was mainly attributable to the decrease in gross profit of IT infrastructure solutions services due to decrease in total numbers and average projects size of infrastructure solutions services projects undertaken in Quarterly 2019. The gross profit margin of the Group decreased from approximately 25.8% for Quarterly 2018 to approximately 22.0% for Quarterly 2019 as the decrease was mainly attributable to the completion of one project from technology, media, telecommunications sector with high gross profit, and increase in one new IT maintenance and support services projects associated with comparatively lower gross profit margin projects during Quarterly 2019.

Selling expenses

For Quarterly 2019, the Group's selling expenses amounted to approximately HK\$1.4 million, representing the increase of approximately HK\$0.2 million or 16.7% as compared to Quarterly 2018 of approximately HK\$1.2 million. Such increase was mainly attributed by the increase in average staff headcount in sales department and the increase in average staff salaries due to more senior staff for sales department recruited for Quarterly 2019.

Administrative and general expenses

The Group's administrative expenses for Quarterly 2019 amounted to approximately HK\$5.4 million, representing decrease of approximately HK\$1.1 million or 16.9% as compared to Quarterly 2018 (2018: approximately HK\$6.5 million). Such decrease was mainly attributed by the decrease in staff cost in administrative expenses by HK\$1.5 million due to decrease in number of senior staff in administrative and finance department for Quarterly 2019.

Profit and total comprehensive income for the period

The Group record profit by approximately HK\$3.9 million for Quarterly 2019, as compared to profit of approximately HK\$3.8 million for Quarterly 2018. It has noted no significant fluctuation for Quarterly 2019, as compared to that in Quarterly 2018.

Liquidity and financial resources

We financed our operations primarily through cash generated from our operating activities. During Quarterly 2019, we did not have any bank borrowings. As at 31 March 2019, we had cash and cash equivalents of approximately HK\$100 million (31 December 2018: approximately HK\$63.4 million), which were cash at banks and in hand. The Group did not have any credit facilities from banks as at 31 December 2018 and 31 March 2019, respectively. The Group's gearing ratio, which is calculated by total debt (defined as bank and other debts incurred not in the ordinary course of business) divided by total equity, was nil as at 31 March 2019 (31 December 2018: nil). We expect that our liquidity position would further be strengthened by using the cash generated from our operating activities and fund raising as a result of that the Shares were listed on the Stock Exchange on 16 July 2018. Going forward, we intend to use our capital for our operations and the expansion plans as stated in our Prospectus.

Capital structure

As at 31 March 2019, the capital structure of the Company comprised issued share capital, ordinary share (the "Shares") and reserves.

SIGNIFICANT INVESTMENTS

During Quarterly 2019, the Group did not hold any significant investment in equity interest in any other company.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in the Prospectus, during Quarterly 2019, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group had a total of 89 employees (31 March 2018: 85). Total staff costs (including directors' emoluments) were approximately HK\$8.8 million for Quarterly 2019, as compared to approximately HK\$8.7 million for Quarterly 2018.

Remuneration policy of the Group is reviewed regularly, making reference to legal framework, market condition and performance of the Group and individual staff (including directors of the Company). The remuneration policy and remuneration packages of the executive directors and members of the senior management of the Group are reviewed by the Remuneration Committee.

SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules. The Share Option Scheme was adopted on 22 June 2018. No options have been granted, exercised or cancelled, or agreed to be granted, under the Share Option Scheme from the date of its adoption to 31 March 2019 and up to the date of this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, there was no other plan for material investments or capital assets as at 31 March 2019.

CHARGES ON GROUP ASSETS

As at 31 March 2019, there is no charge on assets of the Group (31 December 2018: nil).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong with most of the transactions denominated and settled in HK\$. During Quarterly 2019, the Group's exposure to foreign currency risk primarily arose from certain financial instruments including trade receivables, cash and cash equivalents and trade payables which are denominated in US\$. During Quarterly 2019 and Quarterly 2018, the Group did not adopt any hedging strategy but the management continuously monitored the foreign exchange risk exposure on a case-by-case basis. The Group did not use any hedging contracts to engage in speculative activities during Quarterly 2019 and Quarterly 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During Quarterly 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 March 2019, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “SFO”)), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which will be required to notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, are as follows: –

The Company

| Director | Nature of interest | Number and class of securities⁽¹⁾ | Approximate percentage of interest in the Company |
|----------------------|--|---|--|
| Mr. Yu Pak Lun Larry | Interest in controlled corporations ⁽²⁾ | 600,000,000 Shares (L) | 75% |

Notes:

⁽¹⁾ The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in the Shares.

⁽²⁾ The Company is held as to approximately 75% by Vigorous King Limited, which in turn is held as to 100% by Mr. Yu Pak Lun Larry.

Associated Corporation – Vigorous King Limited

| Director | Nature of interest | Number and class of securities in associated corporation | Approximate shareholding percentage |
|----------------------|---------------------------|---|--|
| Mr. Yu Pak Lun Larry | Beneficial owner | 1 ordinary share | 100% |

Save as disclosed above, as at 31 March 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which will be required to notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2019 so far as the Directors are aware, the following persons/entities (other than the Directors and the chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO: –

The Company

| Shareholders | Capacity/Nature of interest | Number and class of securities ⁽¹⁾ | Approximate percentage of interest in the Company |
|--|-----------------------------|---|---|
| Vigorous King Limited ⁽²⁾ | Beneficial owner | 600,000,000 Shares (L) | 75% |
| Ms. Tong Po Ki Vicky ⁽³⁾ | Interest of Spouse | 600,000,000 Shares (L) | 75% |
| Cocoon Holdings Limited ⁽⁴⁾ | Beneficial owner | 56,131,000 Shares (L) | 7.02% |

Notes:

- ⁽¹⁾ The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in the Shares.
- ⁽²⁾ Vigorous King Limited is held as to 100% by Mr. Yu Pak Lun Larry. Therefore, Mr. Yu Pak Lun Larry is deemed to be interested in the Shares which Vigorous King Limited is interested in by virtue of the SFO.
- ⁽³⁾ Ms. Tong Po Ki Vicky is the spouse of Mr. Yu Pak Lun Larry. Therefore, Ms. Tong is deemed to be interested in the Shares which Mr. Yu Pak Lun Larry is interested in by virtue of the SFO.
- ⁽⁴⁾ Cocoon Holdings Limited is an independent third party.

Save as disclosed above, as at 31 March 2019, the Directors were not aware of any persons who/entities which had an interest or short position in the shares or underlying shares of the Company, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules and, in the opinion of the Board, the Company has complied with the CG Code for Quarterly 2019, save for the deviation from such code disclosed below.

The CG Code in Appendix 15 to the GEM Listing Rules provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yu Pak Lun Larry is the chairman and the chief executive officer of the Company. In view of Mr. Yu Pak Lun Larry is one of the co-founders of the Group and has been operating and managing the Group since 1998, the Board believes that it is in the best interest of the Group to have Mr. Yu Pak Lun Larry taking up both roles for effective management and business development. Therefore, the directors of the Company consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

Under the CG Code provision A.1.8, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. Currently, the Company does not have insurance cover for legal action against its Directors. Every Director is, subject to the provisions of the applicable laws, indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto pursuant to the Articles of Association of the Company. However, as the risk management and internal control systems of our Group is effective and constantly under review, and as all the executive Directors and management are familiar with the operation of the Group and the information technology industry, the Board believes that the risk of the Directors being sued or getting involved in litigation in their capacity as Directors is relatively low, and hence the Board is of the view that the benefits of the insurance may not outweigh the cost. Therefore, the Board considers that the Directors’ exposure to risk is manageable.

Save for the deviations as mentioned above, the Board is satisfied that the Company had complied with all the code provisions of the CG Code since the Listing Date up to the date of this announcement.

INTERESTS IN COMPETING BUSINESS

During the Quarterly 2019, the directors of the Company were not aware of any business or interest of the directors of the Company, the controlling shareholders of the Company and their respective close associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

INTERESTS OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Cinda International Capital Limited (“Cinda”) to be its compliance adviser. As at 31 March 2019, as notified by Cinda, save for the compliance adviser agreement entered into between the Company and Cinda dated 21 February 2018, neither Cinda nor any of its directors, employees or close associates had any interest in the securities of the Company.

USE OF PROCEEDS

The actual net proceeds of the Group raised from the initial public offering was approximately HK\$34.1 million, after deducting the underwriting fees, commissions and other listing expenses. Up to 31 March 2019, the Group has utilised proceeds from the listing of approximately HK\$60,000. Net proceeds will be used according to the manner as set out in the section headed “Statement of Business Objectives and Use of Proceeds” in the Prospectus.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited financial statements of the Group for the three months ended 31 March 2019 and this announcement, and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

DIVIDENDS

The Board has resolved not to declare dividend for the three months ended 31 March 2019.

DISCLOSURE OF INFORMATION

This announcement will also be published on the websites of both the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.kinetix.com.hk>) and shall be despatched to the shareholders timely and properly.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

With effect from 8 May 2019, Mr. Cheung Wah Kit Jason, one of our then independent non-executive directors, retired at the annual general meeting and decided not to offer himself for re-election, and retired from his positions as the chairman of nomination committee and as a member of remuneration committee and audit committee. On the same day, Ms. Lam Shun Ka has been appointed as chairman of the nomination committee of the Company. Further details can be found in circular of the Company dated 29 March 2019 and the announcement of the Company dated 8 May 2019.

By order of the Board
Kinetix Systems Holdings Limited
Yu Pak Lun Larry
Chairman

Hong Kong, 14 May 2019

As at the date of this announcement, the board of directors of the Company comprises Mr. Yu Pak Lun Larry, Mr. Leung Patrick Cheong Yu, Mr. Wong Tsun Ho Ian and Mr. Law Cheung Moon as executive Directors; Mr. Lam Yau Hin, Mr. Yeung Wai Keung and Ms. Lam Shun Ka as independent non-executive Directors.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company’s website at www.kinetix.com.hk.