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KINETIX SYSTEMS HOLDINGS LIMITED

健冠控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8606)

**DISCLOSEABLE TRANSACTION
IN RESPECT OF THE TENANCY AGREEMENT**

On 4 May 2021, the Tenant (an indirectly wholly-owned subsidiary of the Company) and the Landlord entered into the Tenancy Agreement in respect of the leasing of the Premises for a term of five years.

Pursuant to HKFRS 16, the entering into the Tenancy Agreement as tenant will require the Group to recognise the Premises as the right-of-use assets on its balance sheet, thus the Tenancy Agreement and the transaction contemplated thereunder will be regarded as an acquisition of asset by the Group under the GEM Listing Rules.

Given that one or more of the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the aggregate value of the right-of-use assets recognised by the Group pursuant to HKFRS 16 is more than 5% but less than 25%, the transaction contemplated under the Tenancy Agreement constitutes a disclosable transaction for the Company, and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

On 4 May 2021, the Tenant (an indirectly wholly-owned subsidiary of the Company) and the Landlord entered into the Tenancy Agreement in respect of the leasing of the Premises for a term of five years.

THE TENANCY AGREEMENT

A summary of the principal terms of the Tenancy Agreement is as follows:

Date: 4 May 2021

Parties: Landlord: Shanghai Xinyefang Shangying Enterprise Development Company Limited (上海新業坊尚影企業發展有限公司)

Tenant: Shanghai Kinetix Systems Company Limited (上海捷冠科技有限公司), an indirectly wholly-owned subsidiary of the Company

The Landlord is a company established in the PRC with limited liability. Its principal business activity is to provide preparation, planning services, property management, real estate development and management, and business information consultation for cultural and artistic exchange activities. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Landlord and its ultimate beneficial owner(s) is an Independent Third Party.

Term: 5 years commencing from 18 March 2021 to 17 March 2026

Premises: Northern Building, Building No. 5, Jing'an Xinyefang, No.210 Wenshui Road, Jing'an District, Shanghai, with the estimated gross floor area of approximately 2,058 square meter

Rental payment: Daily rental of RMB 5 per square meter for the first rental year, with a rent-free period of four months commencing from 18 March 2021 to 17 July 2021

Daily rental of RMB 5 per square meter for the second rental year, with a rent-free period of one month commencing from 18 March 2022 to 17 April 2022

Daily rental of RMB 5.25 per square meter for the third rental year, with a rent-free period of one month commencing from 18 March 2023 to 17 April 2023

Daily rental of RMB 5.25 per square meter for the fourth rental year

Daily rental of RMB 5.51 per square meter for the fifth rental year

Deposit: RMB 625,975, which is equivalent to two months' rental

Termination: The lease of the Premises will be terminated in accordance with the Tenancy Agreement.

Based on the daily rental under the Tenancy Agreement and taking into account the rent-free periods under the Tenancy Agreement, the aggregate amount payable by the Tenant under the Tenancy Agreement will be RMB17,646,235.30 and is expected to be financed by the internal resources of the Group.

REASONS FOR AND BENEFITS OF THE TENANCY AGREEMENT

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, IT maintenance and support services and trading of entertainment products.

The Premises will be used as the PRC's principal office and showroom of the Group. The aggregate rentals payable under the Tenancy Agreement were arrived at after arm's length negotiation between the parties to the Tenancy Agreement and determined with reference to, amongst other things, the current market rent payable for property similar to the subject property and of comparable utility. The Directors (including the independent non-executive Directors) are of the view that the abovementioned rentals are fair, reasonable and in line with the market level, and the entry into the Tenancy Agreement is in the interests of the Group and its Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16, the entering into the Tenancy Agreement as tenant will require the Group to recognise the Premises as the right-of-use assets on its balance sheet, thus the Tenancy Agreement and the transaction contemplated thereunder will be regarded as an acquisition of asset by the Group under the GEM Listing Rules.

Given that one or more of the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the aggregate value of the right-of-use assets recognised by the Group pursuant to HKFRS 16 is more than 5% but less than 25%, the transaction contemplated under the Tenancy Agreement constitutes a disclosable transaction for the Company, and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board”	the board of Directors;
“Company”	Kinetix Systems Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM of the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange;
“Group”	the Company and its subsidiaries;
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Party”	Third party independent of and not connected with the Company and its connected persons (has the meanings as ascribed to it under the GEM Listing Rules);
“Landlord”	Shanghai Xinyefang Shangying Enterprise Development Company Limited (上海新業坊尚影企業發展有限公司), a company incorporated in PRC with limited liability;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Premises”	Northern Building, Building No. 5, Jing'an Xinyefang, No.210 Wenshui Road, Jing'an District, Shanghai, with the estimated gross floor area of approximately 2,058 square meter;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the Share(s) from time to time;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tenancy Agreement”	the tenancy agreement entered into between the Tenant and the Landlord on 4 May 2021 for the lease of the Premises;
“Tenant”	Shanghai Kinetix Systems Company Limited (上海捷冠科技有限公司), a company incorporated in PRC with limited liability, is an indirectly wholly-owned subsidiary of the Company;
“Term”	5 years commencing from 18 March 2021 to 17 March 2026; and
“%”	per cent.

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

Hong Kong, 4 May 2021

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 and Mr. Law Cheung Moon as executive Directors; Mr. Cheng Kwan Ngai and Ms. Chen Jie as non-executive Directors; Mr. Lam Yau Hin, Ms. Lam Shun Ka and Dr. He Dazhi 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.