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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
FINANCE LEASE TRANSACTIONS**

FINANCE LEASE TRANSACTIONS

The Board hereby announces that on 18 September 2020, the Lessor (a wholly-owned subsidiary of the Company, as the lessor) entered into the Purchase Order III and Purchase Order IV with the Lessee. Pursuant to Purchase Order III, the Lessor would lease the Leased Assets III to the Lessee for a term of 36 months with a total lease payment of HK\$4,765,793, which shall include a purchase order principal of HK\$4,469,022 and a purchase order interest income of HK\$296,771. Pursuant to Purchase Order IV, the Lessor would lease the Leased Assets IV to the Lessee for a term of 36 months with a total lease payment of HK\$4,605,307, which shall include a purchase order principal of HK\$4,332,924 and a purchase order interest income of HK\$272,383.

Within the past twelve months, (i) on 28 February 2020, the Lessor (as the lessor) entered into the Purchase Order I with the Lessee, pursuant to which the Lessor leased the Leased Asset I to the Lessee for a term of 36 months with a total lease payment of HK\$3,899,232, which shall include a purchase order principal of HK\$3,668,610 and a purchase order interest income of HK\$230,622; and (ii) on 9 March 2020, the Lessor (as the lessor) entered into the Purchase Order II with the Lessee, pursuant to which the Lessor leased the Leased Asset II to the Lessee for a term of 36 months with a total lease payment of HK\$1,877,400, which shall include a purchase order principal of HK\$1,766,360 and a purchase order interest income of HK\$111,040.

GEM LISTING RULES IMPLICATIONS

As the transactions under the Purchase Orders were entered into with the same party during the 12-month period and classified as finance lease arrangement, according to Rules 19.22 and 19.23 of the GEM Listing Rules, the transactions thereunder shall be aggregated as a series of transactions. As the highest applicable percentage ratio under each of the Purchase Order on a stand-alone basis is less than 5%, while the highest applicable percentage ratio upon aggregation of the Purchase Orders is higher than 5% but lower than

25%, therefore, the transactions thereunder constitute discloseable transactions of the Company and are subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

BACKGROUND

The Board hereby announces that on 18 September 2020, the Lessor (a wholly-owned subsidiary of the Company, as the lessor) entered into the Purchase Order III and Purchase Order IV with the Lessee. Pursuant to Purchase Order III, the Lessor would lease the Leased Assets III to the Lessee for a term of 36 months with a total lease payment of HK\$4,765,793, which shall include a purchase order principal of HK\$4,469,022 and a purchase order interest income of HK\$296,771. Pursuant to Purchase Order IV, the Lessor would lease the Leased Assets IV to the Lessee for a term of 36 months with a total lease payment of HK\$4,605,307, which shall include a purchase order principal of HK\$4,332,924 and a purchase order interest income of HK\$272,383.

Within the past twelve months, (i) on 28 February 2020, the Lessor (as the lessor) entered into the Purchase Order I with the Lessee, pursuant to which the Lessor leased the Leased Asset I to the Lessee for a term of 36 months with a total lease payment of HK\$3,899,232, which shall include a purchase order principal of HK\$3,668,610 and a purchase order interest income of HK\$230,622; and (ii) on 9 March 2020, the Lessor (as the lessor) entered into the Purchase Order II with the Lessee, pursuant to which the Lessor leased the Leased Asset II to the Lessee for a term of 36 months with a total lease payment of HK\$1,877,400, which shall include a purchase order principal of HK\$1,766,360 and a purchase order interest income of HK\$111,040.

The transactions were not made under any master agreement between the Group and the Lessee.

The table below sets out the details of the Purchase Orders:

<i>Purchase Orders</i>	<i>Date of purchase order</i>	<i>Term of purchase order</i>	<i>Purchase Order Principal amount</i> <i>HK\$</i>	<i>Purchase Order Interest income</i> <i>HK\$</i>	<i>Total lease payment</i> <i>HK\$</i>
Purchase Order I	28 February 2020	36 months	3,668,610	230,622	3,899,232
Purchase Order II	9 March 2020	36 months	1,766,360	111,040	1,877,400
Purchase Order III	18 September 2020	36 months	4,469,022	296,771	4,765,793
Purchase Order IV	18 September 2020	36 months	4,332,924	272,383	4,605,307
Total			14,236,916	910,816	15,147,732

In relation to the relevant transactions, the Group (1) supply the hardware to Lessee; and (2) license the software to the Lessee, as a bundle of hardware and software which forms the security systems/ information technology (“IT”) systems. The Lessee placed the Purchase Orders with the Group for the Leased Assets. The Group may also provide maintenance and support services for the Leased Assets to the Lessee. The terms of all Purchase Orders are 36 months, and the Lessee will settle payments to the Group on a monthly basis.

The Lessee has the right to control the use of the Leased Assets throughout 36-month period of use because the Lessee has the right to obtain substantially all the economic benefits from the use of the Leased Assets and has the right to direct how and for what purpose the Leased Assets are used throughout the period of use. The Lessee controlled the specifications and design of that bundle of hardware and software, which, in effect, control the use of the Leased Assets to be provided by the Group. The Lessee has exclusive use of the Leased Assets.

The Lessee made the decision about how and for what purposes the Leased Assets are used by deciding (1) where to install the Leased Assets and (2) how to make use of the Leased Assets to avoid loss of assets. The Lessee has the right to change these decisions during the 36-month period of use. Although the Group retained decisions about maintaining the Leased Assets which are essential to their efficient use, those decisions do not give the Group the right to direct and for what purpose the Leased Assets are used. The Group does not control the use of Leased Assets during the period of use.

The terms of the relevant transactions are in line with the Group’s transaction with its other customers under its usual and ordinary course of business.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

PURCHASE ORDERS

The principal terms contained in each of the Purchase Orders are substantially similar. Principal terms of the Purchase Orders are as follows:

Parties

Lessor: the Lessor

Lessee: Customer A, a limited company established in Hong Kong, which is a wholly-owned subsidiary of a company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange. The listed company is a leading provider of mobile telecommunications and related services in the PRC and

Hong Kong.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Lessee and its ultimate beneficial owner are all independent third parties of the Company and its connected persons (as defined in the GEM Listing Rules).

Leased Assets

The Leased Assets I under the Purchase Order I are the hardware and the software for the managed iclassroom system and managed STEM lab.

The Leased Assets II under the Purchase Order II are the hardware and the software for the managed network solution.

The Leased Assets III under the Purchase Order III are the hardware and the software for the firewall system.

The Leased Assets IV under the Purchase Order IV are the hardware for the emergency call bell system, broadcast reception system, burglar alarm, security and access control system.

Lease Period

The lease period of each of the Purchase Orders is 36 months.

Lease Payment and Method of Payment

The lease payment of the Purchase Orders comprises purchase order principal and purchase order interest income.

Under the Purchase Order I, the purchase order principal is HK\$3,668,610, the purchase order interest income is HK\$230,622, the total lease payment is HK\$3,899,232, the Lessee shall pay the lease payment to the Lessor at the end of each month in instalments in accordance with the Purchase Order I during the lease period.

Under the Purchase Order II, the purchase order principal is HK\$1,766,360, the purchase order interest income is HK\$111,040, the total lease payment is HK\$1,877,400, the Lessee shall pay the lease payment to the Lessor at the end of each month in instalments in accordance with the Purchase Order II during the lease period.

Under the Purchase Order III, the purchase order principal is HK\$4,469,022, the purchase order interest income is HK\$296,771, the total lease payment is HK\$4,765,793, the Lessee shall pay the lease payment to

the Lessor at the end of each month in instalments in accordance with the Purchase Order III during the lease period.

Under the Purchase Order IV, the purchase order principal is HK\$4,332,924, the purchase order interest income is HK\$272,383, the total lease payment is HK\$4,605,307, the Lessee shall pay the lease payment to the Lessor at the end of each month in instalments in accordance with the Purchase Order IV during the lease period.

The terms of the Purchase Orders, including purchase order principals, purchase order interest incomes and other expenses under the Purchase Orders, were determined upon arm's length negotiation between the Lessee and the Lessor with reference to net book values of the Leased Assets, the interest risk of financing, the overall target return of the Group and the prevailing market prices of the same category of finance lease products.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PURCHASE ORDERS

The Company is an investment holding company while its subsidiaries' principal businesses are provision of IT infrastructure solutions services, IT development solutions services, IT maintenance and support services and trading of entertainment products.

In relation to the transactions under the Purchase Orders, the Group leases the bundle of hardware and software to the Lessee which forms the security systems/IT systems. Therefore, the Purchase Orders are entered into by the Company during its ordinary and usual course of business.

The Directors consider that entering into the Purchase Orders will generate revenue and profit to the Company over the lease period and is consistent with the Company's business development strategy. Since the Purchase Orders were entered into under normal commercial terms, the Directors are of the view that the terms under the Purchase Orders are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the transactions under the Purchase Orders were entered into with the same party during the 12-month period and classified as finance lease arrangement, according to Rules 19.22 and Rules 19.23 of the GEM Listing Rules, the transactions thereunder shall be aggregated as a series of transactions. As the highest applicable percentage ratio under each of the Purchase Order on a stand-alone basis is less than 5%, while the highest applicable percentage ratio upon aggregation of the Purchase Orders is higher than 5% but lower than 25%, therefore, the transactions thereunder constitute discloseable transactions of the Company and are subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

The Company is aware that this announcement of transactions under the Purchase Orders constitute late announcement under the GEM Listing Rules of the relevant notifiable transactions. The Directors believed the entering into of the Purchase Orders were part of the Group's ordinary and usual course of business and were therefore exempt from compliance with any requirements under Chapter 19 of the GEM Listing Rules. Having received the enquiry from Stock Exchange and after consulted the advice from the Company's auditor, the Company accepted that the Purchase Orders falls within the definition of "transactions" under Rule 19.04(1) of the GEM Listing Rules and regrettably admitted that it had technically, but not negligently nor intentionally, breached Rules 19.34 of the GEM Listing Rules.

In order to reduce the risk of recurrence of such breaches, in the event that the Directors have doubts as to the interpretation of the GEM Listing Rules, the Directors will consult appropriate professional parties so as to ensure that their apprehension and interpretation of the GEM Listing Rules are correct prior to proceed with any action. In addition, the Company will provide further guidance material and training relating to notifiable transactions under the GEM Listing Rules for the Directors and senior management of the Group in order to strengthen and reinforce their existing knowledge with respect to notifiable transactions.

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 Holding 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
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"independent third party(ies)"	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)
"Leased Assets"	the Leased Assets I, the Leased Assets II, Leased Assets III and Leased Assets IV

“Leased Assets I”	the hardware and the software for the managed iclassroom system and managed STEM lab, with total lease payment of approximately HK\$3,899,232
“Leased Assets II”	the hardware and the software for the managed network solution, with total lease payment of approximately HK\$1,877,400
“Leased Assets III”	the hardware and the software for the firewall system, with total lease payment of approximately HK\$4,765,793
“Leased Assets IV”	the hardware and software for the emergency call bell system, broadcast reception system, burglar alarm, security and access control system, with total lease payment of approximately HK\$4,605,307
“Lessee”	Customer A, a limited company established in the Hong Kong, which is a wholly-owned subsidiary of a company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange. The listed company is a leading provider of mobile telecommunications and related services in the PRC and Hong Kong
“Lessor”	Kinetix Systems Limited, a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Purchase Orders”	the Purchase Order I, the Purchase Order II, the Purchase Order III and the Purchase Order IV
“Purchase Order I”	the Purchase Order entered into between the Lessor and the Lessee on 28 February 2020
“Purchase Order II”	the Purchase Order entered into between the Lessor and the Lessee on 9 March 2020
“Purchase Order III”	the Purchase Order entered into between the Lessor and the Lessee on 18 September 2020
“Purchase Order IV”	the Purchase Order entered into between the Lessor and the Lessee on 18 September 2020
“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

“%”

per cent

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

Hong Kong, 1 June 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.