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kinetix

KINETIX SYSTEMS HOLDINGS LIMITED

健冠控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8606)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021**

**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 NINE MONTHS ENDED 30 SEPTEMBER 2021

The Board hereby announce the unaudited condensed consolidated financial results of the Group for the nine months ended 30 September 2021, together with the unaudited comparative figures for the corresponding period in 2020 as follows:

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

For the three months and nine months ended 30 September 2021

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	5(a)	53,642	63,485	166,027	222,695
Cost of sales		(41,435)	(50,524)	(134,506)	(185,788)
Gross profit		12,207	12,961	31,521	36,907
Other income, other gains or losses	5(b)	313	3,090	1,430	3,932
Selling expenses		(3,203)	(1,501)	(8,771)	(5,679)
Administrative and general expenses		(13,929)	(9,770)	(38,219)	(26,832)
Reversal of (allowance for) expected credit losses, net		120	(250)	263	(1,352)
Finance costs		(307)	(198)	(795)	(310)
(Loss)/profit before tax	6	(4,799)	4,332	(14,571)	6,666
Income tax	8	80	(864)	(154)	(1,767)
(Loss)/profit for the period		(4,719)	3,468	(14,725)	4,899
Other comprehensive income		—	—	—	—
Total comprehensive (loss)/income for the period		(4,719)	3,468	(14,725)	4,899
Attribute to:					
Owners of the Company		(4,620)	3,966	(13,981)	6,375
Non-controlling interests		(99)	(498)	(744)	(1,476)
Total comprehensive (loss)/income for the period		(4,719)	3,468	(14,725)	4,899
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share					
– Basic and diluted	10	(0.52)	0.50	(1.68)	0.80

QUARTERLY CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	Attributable to owner of the Company								
	Share capital	Share premium	Other reserve	Convertible bonds equity reserve	Share option reserve	Retained profits	Total	Non-controlling interests	Total equity
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At 1 January 2020 (audited)	8,000	43,199	10	–	–	37,593	88,802	(539)	88,263
Profit/(loss) for the period	–	–	–	–	–	6,375	6,375	(1,476)	4,899
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	–	–	–	6,375	6,375	(1,476)	4,899
At 30 September 2020 (unaudited)	<u>8,000</u>	<u>43,199</u>	<u>10</u>	<u>–</u>	<u>–</u>	<u>43,968</u>	<u>95,177</u>	<u>(2,015)</u>	<u>93,162</u>
At 1 January 2021 (audited)	8,000	43,199	10	–	–	47,909	99,118	(1,216)	97,902
Loss for the period	–	–	–	–	–	(13,981)	(13,981)	(744)	(14,725)
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the period	–	–	–	–	–	(13,981)	(13,981)	(744)	(14,725)
Recognition of equity component of convertible bonds	–	–	–	10,149	–	–	10,149	–	10,149
Convertible bonds conversion	1,600	46,400	–	(10,149)	–	–	37,851	–	37,851
Share-based payments	–	–	–	–	143	–	143	–	143
At 30 September 2021 (unaudited)	<u>9,600</u>	<u>89,599</u>	<u>10</u>	<u>–</u>	<u>143</u>	<u>33,928</u>	<u>133,280</u>	<u>(1,960)</u>	<u>131,320</u>

NOTES TO THE QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2021

1. GENERAL

The Company was incorporated in the Cayman Islands on 16 September 2016 as an exempted company with limited liability. The registered office of the Company is Windward 3, Regatta Office Park, P.O. Box 1350, 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, IT maintenance and support services and trading of entertainment products.

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited quarterly condensed consolidated financial statements for the nine months ended 30 September 2021 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 (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 2020.

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")

The accounting policies adopted in the preparation of the unaudited quarterly condensed consolidated financial statements are the same as those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except for the new and revised HKFRSs and interpretations issued by HKICPA that are first effective for the current accounting period of the Group. The followings are the significant changes 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.

Convertible bonds

Convertible bonds that contain an equity component that can be converted into ordinary shares at the option of the purchaser, where the number of shares to be issued is fixed, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured at fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible bonds as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds equity reserve until either the bonds are converted or redeemed. If the bonds are converted, the convertible bonds equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the convertible bonds equity reserve is released directly to retained profits.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment, where employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

4. SEGMENT INFORMATION

The chief operating decision makers are identified as the executive Directors. The Group has identified its operating segment based on the regular internal financial information reported to the executive Directors for their decisions about resource 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, IT maintenance and support services and trading of entertainment products.

Geographical information

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	53,628	62,481	164,480	218,370
Macau	14	1,004	1,547	4,325
	<u>53,642</u>	<u>63,485</u>	<u>166,027</u>	<u>222,695</u>

5. REVENUE AND OTHER INCOME, OTHER GAINS OR LOSSES

An analysis of the Group's revenue, other income, other gains or losses is as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15, types of goods or services				
IT solutions services				
IT infrastructure solutions services	14,271	25,740	52,778	129,718
IT development solutions services	31,815	19,815	79,256	46,703
IT maintenance and support services	4,268	3,957	20,428	10,463
Trading of entertainment products	3,288	13,973	13,565	35,811
	<u>53,642</u>	<u>63,485</u>	<u>166,027</u>	<u>222,695</u>
Total income	<u>53,642</u>	<u>63,485</u>	<u>166,027</u>	<u>222,695</u>

(a) Information about segment 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 30 September 2021				
	IT solutions services			Trading of entertainment products	Total
	IT infrastructure solutions services	IT development solutions services	IT maintenance and support services		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Disaggregated by timing of revenue recognition					
At a point in time	14,100	–	–	3,288	17,388
Over time	171	31,815	4,268	–	36,254
	<u>14,271</u>	<u>31,815</u>	<u>4,268</u>	<u>3,288</u>	<u>53,642</u>
Revenue from external customers	<u>14,271</u>	<u>31,815</u>	<u>4,268</u>	<u>3,288</u>	<u>53,642</u>

For the three months ended 30 September 2020

	IT solutions services				Total (Unaudited) HK\$'000
	IT infrastructure solutions services (Unaudited) HK\$'000	IT development solutions services (Unaudited) HK\$'000	IT maintenance and support services (Unaudited) HK\$'000	Trading of entertainment products (Unaudited) HK\$'000	
Disaggregated by timing of revenue recognition					
At a point in time	16,871	–	–	13,973	30,844
Over time	8,869	19,815	3,957	–	32,641
Revenue from external customers	25,740	19,815	3,957	13,973	63,485

For the nine months ended 30 September 2021

	IT solutions services				Total (Unaudited) HK\$'000
	IT infrastructure solutions services (Unaudited) HK\$'000	IT development solutions services (Unaudited) HK\$'000	IT maintenance and support services (Unaudited) HK\$'000	Trading of entertainment products (Unaudited) HK\$'000	
Disaggregated by timing of revenue recognition					
At a point in time	52,378	–	–	13,565	65,943
Over time	400	79,256	20,428	–	100,084
Revenue from external customers	52,778	79,256	20,428	13,565	166,027

For the nine months ended 30 September 2020

	IT solutions services				Total (Unaudited) HK\$'000
	IT infrastructure solutions services (Unaudited) HK\$'000	IT development solutions services (Unaudited) HK\$'000	IT maintenance and support services (Unaudited) HK\$'000	Trading of entertainment products (Unaudited) HK\$'000	
Disaggregated by timing of revenue recognition					
At a point in time	120,596	–	–	35,811	156,407
Over time	9,122	46,703	10,463	–	66,288
Revenue from external customers	129,718	46,703	10,463	35,811	222,695

(b) Other income, other gains or losses

The balance mainly represents finance lease interest income and compensation rebate for the nine months ended 30 September 2021.

For the nine months ended 30 September 2020, the balance mainly represented bank interest income and government subsidies.

6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Three months ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Auditor's remuneration				
– Audit services	–	–	102	–
– Non-audit services**	60	60	180	180
Cost of hardware and software recognised as expenses	17,995	23,137	61,869	118,823
Cost of IT solutions services*	18,512	13,583	47,187	29,060
Cost of IT maintenance and support services*	2,331	1,056	12,223	3,735
Cost of inventories recognised as an expense	2,802	12,640	12,527	33,731
Depreciation of property, plant and equipment	729	184	1,637	542
Depreciation of right-of-use assets	1,342	523	3,406	1,654
Loss on disposal of property, plant and equipment	–	–	–	2
Amortisation of intangible assets	800	–	2,133	–
(Reversal of)/allowance for expected credit losses	(120)	250	(263)	1,352
Foreign exchange differences, net	(89)	(254)	(33)	(142)
Premium charges on a life insurance policy	40	–	120	–
Provision for onerous contracts#	(205)	108	700	439
Retirement fund scheme contributions	614	464	1,587	1,379
Director's fee, salaries, allowance and other benefits in kind				
– Director	710	1,130	2,870	3,154
– Other staff	16,864	11,838	42,360	32,845

* Included in the above costs are subcontracting costs amounting to HK\$14,195,000 (three months ended 30 September 2020: HK\$7,483,000) and HK\$44,257,000 (nine months ended 30 September 2020: HK\$17,140,000) for the three months and nine months ended 30 September 2021, respectively.

** Non-audit services represent the agreed-upon procedures services provided relating to third quarterly results for the nine months ended 30 September 2021 (2020: third quarterly results for the nine months ended 30 September 2020).

Included in cost of sales.

7. COMPENSATION OF KEY MANAGEMENT PERSONNEL AND DIRECTORS' REMUNERATION

Certain Directors received remuneration from subsidiaries comprising the Group for their appointment as directors of these subsidiaries. Compensation of key management personnel of the Company during the period was as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' fee	70	45	209	135
Short-term employee benefits	640	1,050	2,661	2,938
Post-employment benefits	19	35	54	81
	<u>729</u>	<u>1,130</u>	<u>2,924</u>	<u>3,154</u>
Total compensation paid to key management personnel				

8. INCOME TAX

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax	(80)	864	81	1,767
Deferred tax	—	—	73	—
	<u>(80)</u>	<u>864</u>	<u>154</u>	<u>1,767</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 the Cayman Islands, the Company was not subject to any taxation under the jurisdiction of the Cayman Islands during the relevant periods.

9. DIVIDEND

The Directors of the Company do not recommend the payment of a quarterly dividend for the nine months ended 30 September 2021 (30 September 2020: Nil).

10. (LOSS)/EARNINGS PER SHARE

	Three months ended 30 September		Nine months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
(Loss)/profit and total comprehensive (loss)/ income for the period attributable to the owners of the Company	<u>(4,620)</u>	<u>3,966</u>	<u>(13,981)</u>	<u>6,375</u>
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (in thousands)	<u>890,435</u>	<u>800,000</u>	<u>830,476</u>	<u>800,000</u>
Effect of dilutive ordinary shares arising from convertible bonds (in thousands)	<u>67,826</u>	<u>—</u>	<u>57,436</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/ earnings per share (in thousands)	<u>958,261</u>	<u>800,000</u>	<u>887,912</u>	<u>800,000</u>

For the three months ended 30 September 2021 and nine months ended 30 September 2021, the convertible bonds and share options had an anti-dilutive effect to the basic loss per share calculation. Therefore, the conversion of the potential dilutive share is not assumed in the computation of diluted loss per share.

11. SHARE CAPITAL

	Number of ordinary shares of the Company	Share capital HK\$'000
Authorised ordinary shares of HK\$0.01 each: At 31 December 2020 and 30 September 2021	<u>10,000,000,000</u>	<u>100,000</u>
800,000,000 ordinary shares at 31 December 2020		8,000
Convertible bonds conversion (<i>Note</i>)		<u>1,600</u>
960,000,000 ordinary shares at 30 September 2021		<u>9,600</u>

Note: On 10 May 2021, the conversion rights attached to the convertible bonds issued by the Company on 1 February 2021 have been converted into 160,000,000 ordinary shares at the total amount of HK\$1,600,000. All the outstanding convertible bonds have been fully converted.

12. RELATED PARTY TRANSACTIONS

- a) In addition to the transactions detailed elsewhere in these unaudited condensed consolidated financial statements, the Group had the following transaction with related party during the period:

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Employee benefit expense and retirement fund scheme contributions to the spouse of the Chairman	—	113	—	113

- b) Details of compensation of key management personnel of the Group are included in Note 7 to the financial statements.

13. BANK BORROWINGS

As at 30 September 2021, the Group had term loan of HK\$10,538,000 (31 December 2020: HK\$6,778,000). The banking facilities are secured by the deed of assignment of the insurance policy of the Chairman of the Company and the corporate guarantee of HK\$31,000,000 plus interest and other charges provided by the Company.

14. EVENTS AFTER THE REPORTING PERIOD

On 14 October 2021, the Group entered into the agreement with the Vendor, Mr. Wang Bo, an independent third party, pursuant to which Vendor has conditionally agreed to sell and the Group has conditionally agreed to purchase, the entire issued share capital of a target company, Universal Technology Development Limited (the “**Target company**”) at a consideration of HK\$25,000,000. The consideration shall be fully settled at completion by the allotment and issue of the 185,185,185 ordinary shares of the Company at the issue price of approximately HK\$0.135 per share. The principal activities of the Target company are development and operation of an online platform and a mobile application.

Up to the date of this announcement, the conditions precedent under the agreement have not yet been fulfilled.

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 over 22 years of experience in the IT consulting services industry in Hong Kong. Our principal businesses include IT infrastructure solutions services, IT development solutions services, IT maintenance and support services and trading of entertainment products.

BUSINESS REVIEW AND OUTLOOK

For the nine months ended 30 September 2021 (“Quarterly 2021”), the Group recorded a loss attributable to owners of the Company of approximately HK\$14.0 million as compared to the profit attributable to owners of the Company of approximately HK\$6.4 million for the nine months ended 30 September 2020 (“Quarterly 2020”). The turning from profit to loss for the quarterly period was primarily due to the combined effect of (i) decrease in gross profit of different segment by approximately HK\$5.4 million; (ii) decrease in other income of approximately HK\$2.5 million mainly due to decrease in the government subsidies; (iii) the increase in staff cost in administrative and selling expenses by approximately HK\$6.1 million mainly due to increase in number of staff and commission expenses; (iv) increase in rental payment by approximately HK\$0.7 million due to additional offices used by subsidiaries; and (v) the increase in depreciation and amortisation by approximately HK\$5.0 million.

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 and integrating them with our client’s IT systems. The revenue generated from this segment in Quarterly 2021 amounted to approximately HK\$52.8 million, representing approximately 31.8% of the total revenue for Quarterly 2021. The revenue from this segment decreased by approximately 59.3% from approximately HK\$129.7 million for Quarterly 2020 to approximately HK\$52.8 million for Quarterly 2021. The decrease was primarily due to a decrease in the total number of projects awarded with a considerably decrease in average project size of IT infrastructure solutions services projects undertaken in Quarterly 2021.

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 in Quarterly 2021 amounted to approximately HK\$79.3 million, representing approximately 47.7% of the total revenue for Quarterly 2021. The revenue derived from this segment increased by approximately 69.8% from approximately HK\$46.7 million for Quarterly 2020 to approximately HK\$79.3 million for Quarterly 2021, the increase was primarily due to increase in total number projects with a slight increase in average project size of IT development solutions services projects undertaken in Quarterly 2021.

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\$20.4 million, representing approximately 12.3% of the total revenue for Quarterly 2021. The revenue derived from this segment increased by approximately 94.3% from approximately HK\$10.5 million for Quarterly 2020 to approximately HK\$20.4 million for Quarterly

2021, the significant increase in revenue from this segment was primarily due to the increase in total number projects with a significant increase in average project size of IT maintenance and support services projects undertaken in Quarterly 2021.

Trading of entertainment products

This segment operates an e-commerce business which includes trading of entertainment products. The revenue generated for this segment amounted to approximately HK\$13.6 million, representing approximately 8.2% of the total revenue for Quarterly 2021. The revenue derived from this segment decreased by approximately 62.0% from approximately HK\$35.8 million for Quarterly 2020 to approximately HK\$13.6 million for Quarterly 2021. The considerably decrease in revenue was because (i) both the total number of orders and quantities sold reduced; and (ii) the average order value decreased.

PROSPECTS AND OUTLOOK

Looking forward, uncertainties in business environment and certain travel restriction measures imposed by the Hong Kong government are still likely to affect the Group's overall business and short-term performance. The Group will continue to provide a safe working environment for the workforce, implement strict cost control, improve our competitiveness by enhancing existing segments and actively seizing different business development opportunities.

With the increase in vaccinated percentage in Hong Kong and the proposed travel resumption held between the Hong Kong Special Administrative Region and the People's Republic of China (the "PRC"), it is expected that the Hong Kong economic and cross-border business activities will start to resume. The Group will actively manage the development of new business in Shanghai and believe the integration of IT development and infrastructure solution service, Mobility-as-a-Service ("MaaS") and deployment of Internet of Things ("IoT") and computing techniques will create synergy and generate the greatest value for shareholders in the medium to longer term.

FINANCIAL REVIEW

Revenue

The Group's revenue for Quarterly 2021 amounted to approximately HK\$166.0 million, representing a decrease of approximately HK\$56.7 million or 25.5% compared to Quarterly 2020 of approximately HK\$222.7 million. The decrease was attributable to decrease in revenue generated from provision of (i) IT infrastructure solutions services projects by approximately HK\$76.9 million; and (ii) trading of entertainment products by approximately HK\$22.2 million but partially offset by: (i) the increase in provision of IT development solutions services by approximately HK\$32.6 million; and (ii) the increase in provision of IT maintenance and support services by approximately HK\$10.0 million.

Gross profit and gross profit margin

The gross profit of the Group decreased by approximately 14.6% from approximately HK\$36.9 million for Quarterly 2020 to approximately HK\$31.5 million for Quarterly 2021 as the decrease was mainly attributable to the decrease in gross profit of IT development solutions services and IT maintenance and support services. The gross profit margin of the Group increased from approximately 16.6% for Quarterly 2020 to approximately 19.0% for Quarterly 2021. The increase was mainly attributable to the decrease in cost of IT infrastructure solutions services projects associated with comparatively higher gross profit margin projects during Quarterly 2021.

Selling expenses

For Quarterly 2021, the Group's selling expenses amounted to approximately HK\$8.8 million, representing the increase of approximately HK\$3.1 million or 54.4% as compared to Quarterly 2020 of approximately HK\$5.7 million. Such increase was mainly attributed to the increase in sales commission expenses by approximately HK\$1.2 million due to the sales commission scheme changed in Quarterly 2021 and the increase in staff cost by approximately HK\$2.1 million due to increase in number of sales staff.

Administrative and general expenses

The Group's administrative expenses for Quarterly 2021 amounted to approximately HK\$38.2 million, representing increase of approximately HK\$11.4 million or 42.5% as compared to Quarterly 2020 of approximately HK\$26.8 million. Such increase was mainly attributed by (i) the increase in depreciation and amortisation by approximately HK\$5.0 million mainly due to the newly set up office in the PRC and the acquisition of intangible assets; (ii) the increase in staff cost by approximately HK\$2.8 million due to the increase in number of staff; (iii) increase in rent by approximately HK\$0.7 million due to some subsidiaries set up offices in Hong Kong and Macau; and (iv) the increase in business entertainment by HK\$0.8 million mainly due to the expenses in PRC's subsidiary.

(Loss)/profit for the period

The Group recorded net loss by approximately HK\$14.7 million for Quarterly 2021, as compared to profit of approximately HK\$4.9 million for Quarterly 2020. The turning from profit to loss for the quarterly period was mainly attributable to net effect of (i) decrease in gross profit of different segment by approximately HK\$5.4 million; (ii) decrease in other income of approximately HK\$2.5 million mainly due to decrease in the government subsidies; (iii) the increase in staff cost in administrative and selling expenses by approximately HK\$6.1 million mainly due to increase in number of staff and commission expenses; (iv) increase in rental payment by approximately HK\$0.7 million due to additional offices used by subsidiaries; and (v) the increase in depreciation and amortisation by approximately HK\$5.0 million.

Liquidity and financial resources

We financed our operations primarily through cash generated from our operating activities. As at 30 September 2021, we had cash and cash equivalents of approximately HK\$22.2 million (31 December 2020: approximately HK\$35.8 million), which were cash at banks and in hand. As at 30 September 2021, the Group has bank borrowings of approximately HK\$10.5 million (31 December 2020: HK\$6.8 million). The Group has a credit facility from the Bank of East Asia of HK\$25.0 million as at 30 September 2021 (31 December 2020: HK\$25.0 million), which are secured by a deed of assignment of the insurance policy of the Chairman of the Company and a corporate guarantee of HK\$31,000,000 plus interest and other charges provided by the Company.

The Group's gearing ratio, which was calculated by total debt (defined as bank and other debts incurred not in the ordinary course of business) divided by total equity, was 10.4% as at 30 September 2021 (31 December 2020: 19.3%). The Group expect that its liquidity position would further be strengthened by using the cash generated from our operating activities and fund raising as a result of the ordinary shares (the "Shares") listed on the Stock Exchange on 16 July 2018 (the "Listing Date"). Going forward, we intend to use our capital for our operations and the expansion plans as stated in our prospectus dated 30 June 2018 (the "Prospectus").

Capital structure

As at 30 September 2021, the capital structure of the Company comprised issued share capital, and reserves. On 10 May 2021, the Company issued a total of 160,000,000 ordinary shares at the aggregate nominal value of HK\$1.6 million upon the conversion of the convertible bonds of HK\$48.0 million at the conversion price of HK\$0.3 per conversion share. For further details of the conversion, please refer to the paragraph headed "Use of Proceeds – Issue of HK\$48.0 million convertible bonds under general mandate" below in this announcement.

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 and PRC with most of the transactions denominated and settled in HK\$ and RMB. During Quarterly 2021, 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\$ and EUR. During Quarterly 2021 and Quarterly 2020, 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 2021 and Quarterly 2020.

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

During Quarterly 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 the Quarterly 2021, save for the deviations 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 Larry is the chairman and the chief executive officer of the Company. In view of Mr. Yu 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 Larry taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstances.

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 covering any 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.

NON-COMPLIANCE WITH RULES 5.05(1), 5.05(2), 5.28 AND 5.34 OF THE GEM LISTING RULES

Following the resignation of Mr. Yeung Wai Keung as independent non-executive Director on 1 March 2021, the Company only had two independent non-executive Directors, thus the number of the independent non-executive Directors fell below the minimum number required under Rule 5.05(1) of the GEM Listing Rules. Following the appointment of Dr. He Dazhi as independent non-executive Director on 1 April 2021, the number of independent non-executive Directors had satisfied the minimum number required under Rule 5.05(1) of the GEM Listing Rules.

Following the retirement of Mr. Lam Yau Hin as an independent non-executive Director upon the conclusion of the annual general meeting of the Company held on 29 June 2021, (i) the number of independent non-executive Directors fell below the minimum number required under Rule 5.05(1) of the GEM Listing Rules; (ii) no independent non-executive Director had appropriate professional qualifications or accounting or related financial management expertise as required in Rule 5.05 (2) of the GEM Listing Rules; (iii) the number of independent non-executive Directors fell below one-third of the Board as required under Rule 5.05A of the GEM Listing Rules; (iv) the number of members of the audit committee of the Board fell below the minimum number requirement, no member of the audit committee has appropriate professional qualifications or accounting or related financial management expertise, and the audit committee has not been chaired by an independent non-executive Director as required under Rule 5.28 of the GEM Listing Rules; and (v) the remuneration committee was not comprised of a majority of independent non-executive directors as required under Rule 5.34 of the GEM Listing Rules.

On 6 August 2021, Mr. Li Xiaoping was appointed as an independent non-executive Director and a member of the remuneration committee and nomination committee of the Company.

Following the appointment of Mr. Li Xiaoping, (i) the Board had three independent non-executive Directors; (ii) the number of independent non-executive Directors represented at least one-third of the Board; (iii) the remuneration committee comprised Ms. Lam Shun Ka as the chairman, and Mr. Li Xiaoping and Mr. Yu Larry as members; and (iv) the nomination committee comprised Ms. Lam Shun Ka as chairman, and Mr. Li Xiaoping and Mr. Yu Larry as members. Accordingly, the Company had fulfilled the requirements under Rules 5.05(1), 5.05A and 5.34 of the GEM Listing Rules, respectively.

On 28 September 2021, Mr. Tong Tsz Kwan was appointed as an independent non-executive Director and the chairman of the Audit Committee of the Company.

Following the appointment of Mr. Tong Tsz Kwan, (i) the Board include an independent non-executive Director who had appropriate professional qualifications or accounting or related financial management expertise, and (ii) the number of members of the audit committee of the Board have attained the minimum number requirement, the audit committee comprised appropriate professional qualifications or accounting or related financial management expertise, and the audit committee has been chaired by an independent non-executive Director. Accordingly, the Company had fulfilled the requirements under Rule 5.05(2) and 5.28 of the GEM Listing Rules, respectively.

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.

Details of the movement in the share options granted under the Scheme for the nine months ended 30 September 2021 are as follows:

Name or category of participants	Date of grant and vesting date of share options	Exercise period of share options granted	Exercise price of share options (HK\$ per share)	Number of share options			
				At 1 January 2021	Granted during the Quarterly 2021	Lapsed during the Quarterly 2021	Outstanding as at 30 September 2021
Executive Directors							
Mr. Yu Larry	16 August 2021	16 August 2021 – 15 August 2031	0.152	–	960,000	–	960,000
Mr. Law Cheung Moon	20 August 2021	20 August 2021 – 19 August 2031	0.154	–	715,000	–	715,000
Mr. Leung Patrick Cheong Yu	20 August 2021	20 August 2021 – 19 August 2031	0.154	–	715,000	–	715,000
Other Employees	16 August 2021	16 August 2021 – 15 August 2031	0.152	–	47,040,000	–	47,040,000
Other Employees	20 August 2021	20 August 2021 – 19 August 2031	0.154	–	30,570,000	–	30,570,000
				–	80,000,000	–	80,000,000
				–	80,000,000	–	80,000,000

Note: Consideration of HK\$1 was paid by each of the grantees on their acceptance of the share options granted.

A total of 48,000,000 share options were granted under the Share Option Scheme on 16 August 2021 and a total of 32,000,000 share options were granted under the Share Option Scheme on 20 August 2021. During the nine months ended 30 September 2021 and up to date of this announcement, there were no share options exercised, cancelled or lapsed under the Share Option Scheme.

USE OF PROCEEDS

(a) The net proceeds of the Group raised from the initial public offering

The net proceeds from the listing of the shares on GEM of the Stock Exchange (the “Listing”) was approximately HK\$34.1 million, after deducting the underwriting fees, commissions and other listing expenses. Up to 30 September 2021, the Group has utilised proceeds from the listing of approximately HK\$28.9 million and a summary of use of proceeds are set out in the table below:

	Amount expected to be used up to 30 September 2021 <i>HK\$ million</i>	Amount actually used up to 30 September 2021 <i>HK\$ million</i>	Balance as at 30 September 2021 <i>HK\$ million</i>	Expected timeline to fully utilise the remaining net proceeds	
Develop IT solutions services tailored for finance and insurance sectors	7.10	6.22	6.22	0.88	31 December 2021
Expand the application of ERP system in our IT development solutions services	1.17	1.00	1.00	0.17	31 December 2021
Maintain fund for performance bond and contract deposit	2.34	2.34	2.34	–	Fully utilised
Provision of cloud computing and IoT products	9.15	8.29	8.24	0.91	31 December 2021
Develop technical support centre to enhance our service quality	2.92	2.92	2.92	–	Fully utilised
Strengthen our marketing efforts	2.34	2.34	2.10	0.24	31 December 2021
Enhance the expertise of our professional team	1.75	1.75	1.75	–	Fully utilised
Enhance our Group’s management information system	5.19	4.80	2.34	2.85	31 December 2021
Working capital and other general corporate purposes	2.14	2.00	2.00	0.14	31 December 2021
	<hr/>	<hr/>	<hr/>	<hr/>	
Total	<u>34.10</u>	<u>31.66</u>	<u>28.91</u>	<u>5.19</u>	

Up to 30 September 2021, the actual application of the net proceeds from the Listing were used according to the intentions previously disclosed in the Prospectus. However, save for the use of proceeds for expanding the application of ERP system in our IT development solutions services, developing IT solutions services tailored for finance and insurance sectors, maintaining fund for performance bond and contract deposit, development technical support centre to enhance our service quality, enhance the expertise of our professional team and as general working capital which was in line with the timeline as disclosed in the Prospectus, there was a general delay in the timeline in the use of proceeds due to the following reasons:

- (i) given the macroeconomic situation during the period, potential large-scale IT solutions services business opportunities, IT application and development solutions for cloud products and IoT projects has been delayed; and
- (ii) the uncertain business environment and certain travel restriction measures imposed by the government, has slightly impact on the marketing efforts of the Group and enhancement of management information system. It is financially prudent to prolong the timeline for the Group's business plans (including marketing events and participating in IT industry exhibitions), which would heighten the Group's cash position and liquidity to respond to future challenging economic environment.

The expected timeline for using the remaining proceeds is based on the best estimation of the present and future business market situations made by the Board. The management will continue to assess the impact of the uncertain business environment on the Group's operation and financial performance and the plans for remaining proceeds, and to handle the changing market conditions and strive for better business performance for the Group. The remaining net proceeds are intended to be applied in accordance with the proposed application set forth in the Prospectus.

(b) Issue of HK\$48.0 million convertible bonds (the “Convertible Bonds”) under general mandate

On 21 December 2020, the Company entered into a conditional sale and purchase agreement (the “Agreement”) with the Dalian Luminary Technology Inc. (the “Vendor”), pursuant to which the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the exclusive LED products agency selling rights, at the consideration of HK\$48.0 million. The Convertible Bonds carry the right to convert into conversion shares at the conversion price of HK\$0.30 (subject to adjustment) per conversion share. On 1 February 2021, the Company completed the issue of convertible bonds in the aggregate principal amount of HK\$48.0 million to the Vendor.

Details of the application of the net proceeds of the issue of the Convertible Bond are as follows:

Intended Use	Amount of net proceeds allocated <i>HK\$ million</i>	Amount of net proceeds utilised as at 30 September 2021 <i>HK\$ million</i>	Amount of net proceeds unutilised as at 30 September 2021 <i>HK\$ million</i>
As the consideration for the acquisition of the exclusive LED products agency selling rights	48.0	48.0	—

On 1 February 2021, the acquisition of the exclusive LED products agency selling rights was completed and the proceeds from the issue of the Convertible Bonds were fully used to settle the consideration of the acquisition. For further details of the acquisition of the exclusive LED products agency selling rights and the issue of the Convertible Bonds, please refer to the announcements of the Company dated 21 December 2020, 6 January 2021 and 1 February 2021.

On 10 May 2021, the Company received a transfer notice from the Vendor in respect of the transfer of Convertible Bonds in the total principal amount of (i) HK\$18.0 million to Lam Sze Chun Jackson (“Mr. Lam”); (ii) HK\$15.0 million to Goldlink Hong Kong Investment Limited (“Goldlink”) a company incorporated in Hong Kong with limited liability; and (iii) HK\$15.0 million to Rich Trend Hong Kong Investment Limited (“Rich Trend”) a company incorporated in Hong Kong with limited liability. Mr. Lam is the sole shareholder and the ultimate beneficial owner of Goldlink and Rich Trend. On 10 May 2021, the Company received conversion notices from Mr. Lam, Goldlink, Rich Trend for conversion of an aggregate principal amount of HK\$48.0 million in the Convertible Bonds at the conversion price of HK\$0.30 per conversion share that (i) 60,000,000 Conversion Shares were issued and allotted to Mr. Lam, (ii) 50,000,000 Conversion Shares were issued and allotted to Goldlink and (iii) 50,000,000 Conversion Shares were issued and allotted to Rich Trend.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 September 2021, 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 notify 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/Chief Executive	Nature of interest	Number and class of securities⁽¹⁾	Approximate percentage of interest in the Company
Mr. Yu Larry	Interest in controlled corporations ⁽²⁾	415,000,000 Shares (L)	43.23%
	Beneficial owner	960,000 Shares (L) ⁽³⁾	0.10%
Mr. Law Cheung Moon	Beneficial owner	715,000 Shares (L) ⁽³⁾	0.07%
Mr. Leung Patrick Cheong Yu	Beneficial owner	715,000 Shares (L) ⁽³⁾	0.07%
Mr. Lam Tai Wai David	Beneficial owner	960,000 Shares (L) ⁽³⁾	1.00%

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 43.23% by Vigorous King Limited, which in turn is held as to 100% by Mr. Yu Larry.
- (3) These shares are derived from the interests in share options granted by the Company pursuant to the Share Option Scheme adopted by the Company on 22 June 2018.

Associated Corporation – Vigorous King Limited

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

Save as disclosed above, as at 30 September 2021, 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 30 September 2021, 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	415,000,000 Shares (L)	43.23%
Ms. Tong Po Ki Vicky ⁽³⁾	Interest of spouse	415,960,000 Shares (L)	43.33%
Ms. Yiu Wai Ki	Beneficial owner	73,400,000 Shares (L)	7.65%
Mr. Leung Wan Hung ⁽⁴⁾	Interest of spouse	73,400,000 Shares (L)	7.65%
Mr. Lam Sze Chun Jackson	Beneficial owner	134,350,000 Shares (L)	13.99%
Goldlink Hong Kong Investment Limited ⁽⁵⁾	Beneficial owner	50,000,000 Shares (L)	5.21%
Rich Trend Hong Kong Investment Limited ⁽⁶⁾	Beneficial owner	50,000,000 Shares (L)	5.21%

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 Larry. Therefore, Mr. Yu 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 Larry. Therefore, Ms. Tong is deemed to be interested in the Shares which Mr. Yu Larry is interested in by virtue of the SFO.
- (4) Mr. Leung Wan Hung is the spouse of Ms. Yiu Wai Ki. Therefore, Mr. Leung is deemed to be interested in the Shares which Ms. Yiu Wai Ki is interested in by virtue of the SFO.

- (5) Goldlink Hong Kong Investment Limited is held as to 100% by Mr. Lam Sze Chun Jackson. Therefore, Mr. Lam is deemed to be interested in the Shares which Goldlink Hong Kong Investment Limited is interested in by virtue of the SFO.
- (6) Rich Trend Hong Kong Investment Limited is held as to 100% by Mr. Lam Sze Chun Jackson. Therefore, Mr. Lam is deemed to be interested in the Shares which Rich Trend Hong Kong Investment Limited is interested in by virtue of the SFO.

Save as disclosed above, as at 30 September 2021, 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.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as then in force (the "Model Code"), and after having made specific enquiry to all of the Directors, the Directors are satisfied that the required standard set out in the Model Code and its code of conduct regarding the Directors' securities transactions have been fully complied with, throughout the accounting period covered by this announcement.

SIGNIFICANT INVESTMENTS

During Quarterly 2021, the Group did not hold any significant investment in properties or equity interest in any other company other than the subsidiaries.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During Quarterly 2021, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2021, the Group had a total of 151 employees (30 September 2020: 133). Total staff costs (including directors' emoluments) were approximately HK\$46.8 million for the Quarterly 2021, as compared to approximately HK\$40.5 million for Quarterly 2020.

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). 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.

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 30 September 2021.

CHARGES ON GROUP ASSETS

As at 30 September 2021, except for the banking facilities which are secured by a deed of assignment of the insurance policy of the Chairman of the Company and the corporate guarantee of HK\$31.0 million plus interest and other charges provided by the Company (31 December 2020: HK\$31.0 million), there were no other charges on the Group's assets.

INTERESTS IN COMPETING BUSINESS

During Quarterly 2021, the Directors were not aware of any business or interest of the Directors, 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.

AUDIT COMMITTEE

The audit committee 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 condensed consolidated financial statements of the Group for the nine months ended 30 September 2021 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 an quarterly dividend for the nine months ended 30 September 2021.

DISCLOSURE OF INFORMATION

The 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

Save as elsewhere disclosed in this announcement, there is no important event after Quarterly 2021.

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

Hong Kong, 12 November 2021

As at the date of this announcement, the Board comprises Mr. Yu Larry, Mr. Leung Patrick Cheong Yu and Mr. Law Cheung Moon as executive Directors; Ms. Chen Jie and Mr. Tang Biao as non-executive Directors; Ms. Lam Shun Ka, Dr. He Dazhi, Mr. Li Xiaoping and Mr. Tong Tsz Kwan as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 announcement will remain on the “Latest Listed Company Information” page of the GEM’s website at www.hkgem.com for at least 7 days from the date of its publication and on the Company’s website at www.kinetix.com.hk.