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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)

**(I) DISCLOSABLE TRANSACTION IN RELATION TO
ACQUISITION OF EXCLUSIVE LED PRODUCTS AGENCY SELLING RIGHTS
AND**

(II) ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that on 21 December 2020 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Agreement with the Vendor, pursuant to which the Purchaser 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\$48,000,000.

The Consideration shall be satisfied by the issue of the Convertible Bonds to the Vendor. 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. Assuming the Conversion Rights are exercised in full at the Conversion Price, 160,000,000 new Shares, being the Conversion Shares, will fall to be allotted and issued to the Vendor, representing approximately 20.00% of the issued share capital of the Company as at the date of this announcement and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. The Conversion Shares (which may fall to be allotted and issued upon the exercise of the Conversion Rights) will be allotted and issued under the General Mandate.

Upon Completion, the Purchaser will acquire the Exclusive LED Products Agency Selling Rights with a term of 15 years.

LISTING RULES IMPLICATIONS

As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but all relevant percentage ratios in respect of the Acquisition are less than 25%, the Acquisition constitutes a disclosable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment of the conditions precedent under the Agreement. The Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

On 21 December 2020 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Exclusive LED Products Agency Selling Rights at the Consideration.

THE ACQUISITION

The Agreement

Date: 21 December 2020

Parties: (i) the Purchaser; and
(ii) the Vendor.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner is an Independent Third Party.

Assets to be acquired

Pursuant to the Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Exclusive LED Products Agency Selling Rights.

Upon Completion, the Purchaser will acquire the Exclusive LED Products Agency Selling Rights with a term of 15 years

Consideration

The Consideration for the Acquisition is HK\$48,000,000 will be settled by the issue of the Convertible Bonds with a principal amount of HK\$48,000,000 at the Conversion Price of HK\$0.30 (subject to adjustment) by the Company to the Vendor on the Completion Date.

Conversion Price

The Conversion Price of HK\$0.30 per Conversion Share, representing:

- (i) a discount of approximately 14.29% over the closing price of HK\$0.350 per Share as quoted on the Stock Exchange on Last Trading Date; and
- (ii) a premium of approximately 1.49% over the average closing price of HK\$0.296 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Date.

The Convertible Bonds carry the right to convert into Conversion Shares at the Conversion Price of HK\$0.30 per Conversion Share (subject to adjustment). Assuming the Conversion Rights are exercised in full at the Conversion Price, 160,000,000 new Shares, being the Conversion Shares, will fall to be allotted and issued to the Vendor, representing approximately 20.00% of the issued share capital of the Company as at the date of this announcement and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. The Conversion Shares (which may fall to be allotted and issued upon the exercise of the Conversion Rights) will be allotted and issued under the General Mandate.

Basis of Consideration and Conversion Price

The Consideration and the Conversion Price were determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to (i) the estimated unit price and volume of the underlying indoor and outdoor factory and other venues LED lighting design and products ; (ii) the anticipated profit margin of the underlying indoor and outdoor factory and other venues LED lighting design and products (set with reference to profit margins of other similar design and products in the market); (iii) the reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" below; and (vi) the benchmark prices as disclosed under the paragraph headed "Conversion Price" above in this announcement. Accordingly, the Directors consider that the Consideration and the Conversion Price and the terms and conditions of the Agreement are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

CONVERTIBLE BONDS

Principal terms of the Convertible Bonds

Principal terms of the Convertible Bonds are arrived at after arm's length negotiations between the Purchaser and the Vendor and are summarised as follows:

Issuer:	the Company
Principal Amount:	HK\$48,000,000
Conversion Price:	HK\$0.30 per new Share, subject to adjustment

Maturity Date:	the date falling five (5) years from the date of issue of the Convertible Bonds
Interest:	Nil
Redemption:	<p><i>At Maturity</i></p> <p>all outstanding principal amount of the Convertible Bonds which have not been redeemed or converted in accordance with the conditions set out in the instrument by the Maturity Date will be automatically redeemed by the Company on the Maturity Date at a redemption amount equal to 100% of the principal amount of such Convertible Bonds, unless the Bondholders request for full conversion of their Convertible Bonds</p>
Conversion Rights:	each Bondholder shall have the right, exercisable during the Conversion Period, to convert the whole or any part (in multiples of HK\$1,000,000) of the outstanding principal amount of the Convertible Bonds held by such Bondholder into such number of Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price and no fraction of a Share shall be issued on conversion
Conversion Restriction:	<p>Conversion shall be subject to the following further conditions:</p> <ul style="list-style-type: none"> (a) any exercise of Conversion Rights shall not trigger any mandatory offer under Rule 26 of the Takeovers Code, and in any event, any exercise of Conversion Rights shall not render Shares held in public hands being less than the minimum public float of the Shares required under the Listing Rules; and (b) any exercise of Conversion Rights shall be subject to all applicable legal requirements, rules and regulations, including but not limited to the Listing Rules and the Takeovers Code.
Transferability:	With prior notification to the Company, the Convertible Bonds (or any part thereof) can be transferred other than to a connected person of the Company

Ranking:	the obligations of the Company arising under the Convertible Bonds constitute general, unsecured and unsubordinated obligations of the Company and rank equally among themselves and <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law. Conversion Shares, when issued, shall rank <i>pari passu</i> in all respects with all other existing Shares in issue at the date of conversion
Adjustment Events:	<p>the Conversion Price shall be subject to adjustment upon occurrence of the following:</p> <ul style="list-style-type: none"> (i) an alteration of the nominal amount of ordinary shares of the Company by reason of any consolidation or subdivision; (ii) an issue (other than in lieu of a cash dividend) by the Company of its ordinary shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund); (iii) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to holders of the its ordinary shares in their capacity as such; (iv) an offer or grant being made by the Company to holders of its ordinary shares by way of rights or of options or warrants to subscribe for new shares at a price which is less than 90% of the market price; (v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new shares, if in any case the total effective consideration per share initially receivable for such securities is less than 90% of the market price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per share initially receivable for such securities is less than 90% of the market price; and (vi) an issue being made by the Company wholly for cash of shares at a price per Share less than 90% of the market price.

Application of Listing

No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchange.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Bonds.

Conditions precedent

Completion is conditional upon the satisfaction (or waiver, if applicable) of, inter alia, the following conditions precedent:

- 1) the warranties given by the Vendor remaining true, accurate and complete in all material respects and not misleading in any respect as of the Completion Date by reference to the facts and circumstances subsisting thereat;
- 2) the Purchaser or the Company being reasonably satisfied with the results of such enquiries, investigations and due diligence reviews of financial, legal or other due diligence review of Exclusive LED Products Agency Selling Right in its discretion deems necessary, desirable or appropriate to undertake;
- 3) approval for the listing of, and permission to deal in the Conversion Shares having been granted by the Listing Committee of the Stock Exchange and not having been revoked or withdrawn; and
- 4) all necessary approvals, waiver and consents required to be obtained by the Purchaser and the Company from any authority or other third party in respect of the Agreement and/or the transactions contemplated thereunder having been obtained unconditionally and irrevocably.

If the conditions precedents are not fulfilled on or before Long Stop Date, all rights and obligations of the parties under the Agreement shall cease and terminate, and none of the parties shall have any claim against the other save for claim (if any) in respect of the continuing provisions or any antecedent breach thereof.

Completion

Subject to fulfilment of the conditions precedent as stated above on or before the Long Stop Date, the Completion shall take place on the date falling on the next Business Day after the fulfilment of the last of the conditions precedent as stated above or such other date agreed by the parties in writing.

INFORMATION ON THE VENDOR

The Vendor, a company incorporated in PRC with limited liability and Mr. Ou Yang Woei Shong is the largest shareholder of the Vendor. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

The Vendor principally engaged in the sale of indoor and outdoor factory and other venues LED lighting design and products. The Vendor is a leader in LED indoor and outdoor factory and venue lighting design. Its sophisticated optical lens meets various lighting angle applications of lamps and lighting equipment. Main features of its LED lighting products include saving equipment and maintenance costs for manufacturers and meeting their lighting needs accurately. It also owns heat dissipation technology, which can extend product life and reduce maintenance costs. In addition, its professional lighting design and layout can provide optimized lighting design according to different industries and scenarios. Its LED lighting products are widely used across various industries, including: parking lot lighting and super-high building lighting. The Vendor provides optical lens solution in LED lighting installation, including optical lens being made of thermal glass, high transmittance and no aging issue, proper lighting shape for best lighting performance of target objects, excellent illuminative uniformity, brighter & ability of farther illumination, multi lens angles for different application.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 800,000,000 Shares in issue. Assuming there are no other changes to the issued share capital of the Company, set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon Completion and assuming full conversion of the Convertible Bonds into Conversion Shares:-

	(i) As at the date of this announcement		(ii) Immediately following Completion and assuming full conversion of the Convertible Bonds into Conversion Shares	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Vigorous King Limited (Note 1)	415,000,000	51.88%	415,000,000	43.23%
Ms. Leung Ruby Huey Boon	80,000,000	10.00%	80,000,000	8.33%
Ms. Yiu Wai Ki	80,000,000	10.00%	80,000,000	8.33%
The Vendor	—	—	160,000,000	16.67%
Other public shareholders	225,000,000	28.12%	225,000,000	23.44%
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Total	800,000,000	100.00%	960,000,000	100.00%

Notes:

- 1. 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.*

REASONS FOR AND BENEFITS OF THE ACQUISITION

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 Group has continued to review the existing principal businesses strategies of the Group and look for potential business opportunities in order to optimise the capital resources of the Group. The IT industry has experienced steady growth, with higher disposable incomes, increasingly discerning market demographic and other positive factors have driven the booming development. The Acquisition will allow the Group to invest and gain exposure in the selling of LED products. Given the promising long-term economic and hospitality prospects of LED lighting solutions industry, there is potential for attractive capital appreciation for this investment over the long term.

China has recently unveiled its 14th five-year plan (FYP) to guide the country's economic development over the coming five years. With the environment as a key commitment, China has announced her aim to reach CO₂ emissions peak before 2030 and carbon neutrality by 2060. This implies significant progress in controlling carbon emissions by 2035, and it is widely expected China will implement higher standard for environmental protection, which means demand for related equipment and services will grow rapidly.

LED lighting is not just environmentally friendly during their use which emits the least amount of CO₂ and reduces greenhouse gas emissions, but also during manufacturing, transport, and disposal. Traditional light bulbs pose a threat to the environment when disposed of in a landfill because of the byproducts created by the aluminum heat sink giving off sulfuric acid, and LEDs are significantly safer for the environment.

As smart cities have been highlighted in China's 13th five year plans (FYP) as a sector that should be strengthened and encouraged, smart streetlights will become an important infrastructure and portal to smart cities, providing the foundation for WiFi coverage, charging stations, monitoring all sorts of information including surveillance and environmental indicators. Following the acceleration of smart city constructions, and wide applications of next generation technologies including IoT and cloud computing, smart LED streetlights are expected to develop rapidly in China.

The Group believes there is huge potential in integrating the Exclusive LED Products Agency Selling Rights and its LED lighting design and products and the existing IT consulting services business of the Group, with potential synergy and growth of revenue and profits in the future.

As the Consideration is satisfied through the issue of the Convertible Bonds, the Company will not face any immediate huge amount of cashflow burden, and hence can utilise its existing fund on the general working capital of the Group or other investment opportunities, if appropriate.

Accordingly, the Directors consider that the terms of the Acquisition, are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

GENERAL MANDATE

By a resolution of the Shareholders passed at the AGM, the Company granted the General Mandate to the Directors to allot and issue up to 20% of the then total number of Shares of the Company in issue as at 7 May 2020, i.e. 160,000,000 Shares. As at the date of this announcement, none of the Shares under the General Mandate have been reserved for utilisation by the Directors. As such, the number of new Shares that could be issued by the Company under the General Mandate is 160,000,000 Shares, which is sufficient for the allotment and issue of the Conversion Shares and no further Shareholders' approval is required accordingly.

IMPLICATION UNDER THE LISTING RULES

As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but all relevant percentage ratios in respect of the Acquisition are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment of the conditions precedent under the Agreement. The Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Exclusive LED Products Agency Selling Rights by the Purchaser pursuant to the terms of the Agreement;
“AGM”	the annual general meeting of the Company held on 7 May 2020;
“Agreement”	the sale and purchase agreement dated 21 December 2020 entered into between the Vendor and the Purchaser in respect of the Acquisition;
“Board”	the board of Directors;

“Bondholder(s)”	the holder(s) of the Convertible Bonds;
“Business Day”	a day (excluding Saturday, Sunday or public holiday) in Hong Kong on which licensed banks are generally open for business throughout the normal working hours;
“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;
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Agreement;
“Completion Date”	the date on which Completion take place in accordance with the Agreement, which is the date falling on the next Business Day after the fulfilment of the last of the conditions precedent under the Agreement (or such other date as the Purchaser and the Vendor shall agree in writing);
“connected person”	has the meanings as ascribed thereto under the Listing Rules;
“Consideration”	HK\$48,000,000, being the total consideration for the Acquisition;
“Conversion Period”	the period commencing from the date of issue of the Convertible Bonds and ending on the date which falls on the Business Day immediately before Maturity Date, both dates inclusive;
“Conversion Price”	the conversion price of HK\$0.30 per Conversion Share;
“Conversion Rights”	the conversion rights attaching to the Convertible Bonds to convert the principal amount or a part thereof into Conversion Shares;
“Conversion Shares”	the 160,000,000 new Shares which may fall to be allotted and issued to the Vendor at the Conversion Price, credited as fully paid, upon full exercise of the Conversion Rights by the Vendor, for the purpose of settling part of the Consideration in the amount of HK\$48,000,000;
“Convertible Bonds”	convertible bonds in the aggregate principal amount of HK\$48,000,000 to be issued by the Company, pursuant to the Agreement, for the purpose of settling the Consideration in the amount of HK\$48,000,000;
“Directors”	director(s) of the Company;

“Exclusive LED Products Agency Selling Rights”	the rights owned by the Vendor in respect of worldwide exclusive agency sales and after-sales services (except Taiwan) of indoor and outdoor factory and other venues LED lighting design and products;
“General Mandate”	the general mandate granted to the Board pursuant to the ordinary resolution passed by the Shareholders at the AGM, pursuant to which a maximum of 160,000,000 new Shares may be allotted and issued as at the date of this announcement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules;
“Last Trading Date”	18 December 2020, being the last trading day immediately before the entering into the Agreement;
“Listing Committee”	has the meaning ascribed to it in the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	1 month after the date of the Agreement or such later date as the parties to the Agreement may agree in writing;
“Maturity Date”	the date falling on the expiry of a 5 years’ period which shall commence from the date of issue of the Convertible Bonds;
“PRC”	the People’s Republic of China (for the purpose of this Announcement excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);

“Purchaser”	Kinetix Systems Limited, an indirect wholly-owned subsidiary of the Company, which is a limited company incorporated in the Hong Kong and is principally engaged in IT solutions and IT maintenance and supporting services;
“SFC”	the Securities and Futures Commission;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Code on Takeovers and Mergers and Share Repurchases published by the SFC from time to time;
“Vendor”	Dalian Luminary Technology Inc., a company incorporated in PRC with limited liability and having its registered office at Room 781, No. 60-1 Haixing Street, Dalian Free Trade Zone, China (Liaoning), Pilot Free Trade Zone, PRC, and its principal activity is engaged in the sale of indoor and outdoor factory and other venues LED lighting design and products; and
“%”	per cent.

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

Hong Kong, 21 December 2020

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 as non-executive director; 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.