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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

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that on 14 October 2021 (after trading hours), the Company entered into the Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Share, representing the entire issued share capital of the Target Company at a total consideration of HK\$25,000,000. The Consideration shall be fully settled at Completion by the allotment and issue of the Consideration Shares at the Issue Price of approximately HK\$0.135 per Consideration Share.

The Consideration Shares will be allotted and issued by the Company under the General Mandate and is not subject to the approval of the Shareholders. The Consideration Shares, when allotted and issued, shall rank *pari passu* with the Shares in issue.

An aggregate of 185,185,185 Consideration Shares will be allotted and issued to the Vendor as set out in the paragraph headed “Consideration” below, which represent 19.29% of the issued share capital of the Company as at the date of this announcement and approximately 16.17% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares, assuming that there is no change in total issued share capital of the Company other than the allotment and issue of all Consideration Shares from the date of this announcement up to and including the date of allotment and issue of the Consideration Shares.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the

Consideration Shares.

Upon Completion, the Target Company will be owned as to 100% by the Company. As such, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group.

GEM LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a disclosable transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Shareholders and potential investors of the Company should note that the Completion of the Acquisition is subject to the fulfilment (or waiver, if applicable) of certain conditions precedent under the Agreement and therefore the Completion may or may not take place. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

THE ACQUISITION

The Board is pleased to announce that on 14 October 2021 (after trading hours), the Company entered into the Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Share, representing the entire issued share capital of the Target Company at a total consideration of HK\$25,000,000. The Consideration shall be fully settled at Completion by the allotment and issue of the Consideration Shares at the Issue Price of approximately HK\$0.135 per Consideration Share.

THE AGREEMENT

Date: 14 October 2021 (after trading hours)

Parties:

- 1) Mr. Wang Bo, the Vendor;
- 2) the Company, as the purchaser; and
- 3) the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendor is a third party independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Assets to be acquired

Pursuant to the terms and conditions of the Agreement, the Vendor has conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Share, representing the entire issued capital of the Target Company.

Consideration

Under the Agreement, the total Consideration shall be HK\$25,000,000, which shall be settled at Completion by the allotment and issue of the Consideration Shares under the General Mandate at the Issue Price of approximately HK\$0.135 per Consideration Share to the Vendor.

Basis of Consideration

The Consideration was arrived at after arm's length negotiations between the Company and the Vendor on normal commercial terms with reference to, among other things, (i) the costs invested by the Developers (as defined below); (ii) the prospect of the business of the Target Company; and (iii) the reasons for and benefits of the Acquisition as described in the section headed "Reasons for and benefits of the Acquisition" below.

Consideration Shares

The Consideration Shares will be allotted and issued pursuant to the General Mandate credited as fully paid, and shall rank *pari passu* in all respects among themselves and with the Shares in issue on the date of such allotment and issue, including the right to receive all dividends and distributions which may be declared, made or paid after the Completion and will be issued free from all Encumbrances and together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date of the Agreement. The allotment and issue of the Consideration Shares under the General Mandate is not subject to the approval of the Shareholders.

An aggregate of 185,185,185 Consideration Shares will be allotted and issued to the Vendor as set out in the paragraph headed "Consideration" above, which represent 19.29% of the issued share capital of the Company as at the date of this announcement and approximately 16.17% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares, assuming that there is no change in total issued share capital of the Company other than the allotment and issue of all Consideration Shares from the date of this announcement up to and including the date of allotment and issue of the Consideration Shares.

The Issue Price of each Consideration Share is approximately HK\$0.135, which represents:

(1) a discount of approximately 6.25% over the closing price of HK\$0.144 per Share as quoted

on the Stock Exchange on the Last Trading Day;

- (2) the average closing price of HK\$0.135 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day;
- (3) a discount of approximately 4.73% over the average closing price of HK\$0.142 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the Last Trading Day.

The Issue Price was determined after arm's length negotiation between the Company and the Vendor with reference to the prevailing market price of the Shares. The Directors consider the Issue Price to be fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Conditions precedent

Completion shall be subject to the following conditions precedent having been satisfied or fulfilled:

- (a) the Company fulfilling all compliance requirements under the GEM Listing Rules in connection with entering of the Agreement and the transactions contemplated thereunder;
- (b) the GEM Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares;
- (c) the Company being satisfied with the results of the due diligence review on the Target Company;
- (d) the Vendor having proved that the Vendor has a good title and being the registered, legal and beneficial owner of the Sale Share free from all Encumbrances;
- (e) all necessary authorisations of all relevant governmental or regulatory authorities, agencies or bodies, or any other third party, required for the implementation of the transactions contemplated in the Agreement being obtained and maintained;
- (f) all the Vendor's warranties, representations and undertakings being true, complete and accurate in all respects and not misleading in any respect as of the Completion Date; and
- (g) the Target Company not being involved in any litigation, and the Target Company not being insolvent and not having been presented with any winding-up petition or application for receivership.

The Company may waive any of the conditions precedent as set out in (c) to (g) above at any time before the Long Stop Date by giving written notice to the Vendor.

If the conditions precedent have not been fulfilled or waived on or before the Long Stop Date or by such later date as may be agreed between the Company and the Vendor in writing, then the Agreement shall terminate and be of no further effect and all rights and obligations of the parties under the Agreement will cease and lapse, in which event the parties under the Agreement shall be released from all their obligations thereunder without liability (without prejudice to the rights of any parties in respect of the continuing provisions or any antecedent breach of the Agreement).

Completion

Subject to the fulfilment of the conditions precedent set out in the Agreement, Completion shall take place on the Completion Date.

CHANGES IN THE SHAREHOLDING OF THE TARGET COMPANY

Upon Completion, the Target Company will be owned as to 100% by the Company. As such, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 960,000,000 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon the allotment and issuance of all the Consideration Shares:

Shareholders	As at the date of this announcement		Immediately after the completion of allotment and issuance of Consideration Shares (Note 1)	
	Number of shares	Approximate %	Number of shares	Approximate %
Vigorous King Limited (Note 2)	415,000,000	43.23	415,000,000	36.24
Mr. Lam Sze Chun Jackson (“Mr. Lam”)	34,350,000	3.58	34,350,000	3.00
Goldlink Hong Kong Investment Limited (Note 3)	50,000,000	5.21	50,000,000	4.37
Rich Trend Hong Kong Investment Limited (Note 4)	50,000,000	5.21	50,000,000	4.37
Public Shareholders	410,650,000	42.77	410,650,000	35.85
The Vendor	-	-	185,185,185	16.17
Total	960,000,000	100.00	1,145,185,185	100.00

Notes:

1. Assuming that there is no change in total issued share capital of the Company other than the allotment and issue of all Consideration Shares from the date of this announcement up to and including the date of allotment and issue of the Consideration 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 Securities and Futures Ordinance.
3. Goldlink Hong Kong Investment Limited is held as to 100% by Mr. Lam. Therefore, Mr. Lam is deemed to be interested in the Shares which Goldlink Hong Kong Investment Limited is interested in by virtue of the Securities and Futures Ordinance.
4. Rich Trend Hong Kong Investment Limited is held as to 100% by Mr. Lam. 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 Securities and Futures Ordinance.

INFORMATION ABOUT THE VENDOR AND THE TARGET COMPANY

The Vendor, Mr. Wang Bo, is an entrepreneur engaging in the information technology business. In the past few years, he managed several companies in the PRC engaging in information technology businesses, including the development and management of online platforms for various enterprises in the PRC.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the Vendor is an Independent Third Party, which is not connected person(s) of the Company and is independent of and not connected with the Company and the Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates.

The Target Company is a company incorporated under the laws of Hong Kong on 1 June 2021 and is principally engaged in development and operation of an online platform and a mobile application. As at the date of this announcement, the Target Company is wholly-owned by the Vendor.

Slamball, LLC ("**Slamball US**"), a company incorporated under the law of State of Delaware of the United States with limited liability, owns certain patents and trademarks in relation to slamball, which is a kind of basketball game played with four trampolines in front of each net and boards around the court edge and was initially developed and popularised in the United States. Apart from tournaments, teams, equipment and venue for slamball, Slamball US endeavoured to developing online platforms and mobile applications for those who are interested in slamball. In 2011, a company incorporated in Hong Kong (the "**Hong Kong Developer**") was established to operate slamball sport and related business operations, and Slamball US granted a licence for life to the Hong Kong Developer to use the intellectual property rights of slamball in 26 countries and regions. In 2013, Slamball US granted a licence to a company established in the PRC (the "**PRC Developer**", together with the Hong Kong Developer, the "**Developers**") to operate slamball sport and related business operations, and the PRC Developer was granted a licence for life to use the intellectual property rights of slamball in the PRC.

In light of the expertise of Mr. Wang Bo, the Developers nominated him to be responsible for the development and operation of an online platform and a mobile application for promotion of slamball (the "**Online Platform and Mobile Application**") in China and Hong Kong.

In September 2021, each of the Developers entered into a licence agreement (collectively, the "**Licence Agreements**") with the Target Company, pursuant to which, amongst others:

- (a) the Target Company shall have the right to use the trademark of "SLAMBALL" and use, utilise, improve, redevelop, redesign any other intellectual property rights in relation to slamball for the development and operation of the Online Platform and Mobile Application in China and Hong Kong;
- (b) the Target Company shall be responsible for the following matters:
 - (i) further development of the hardware and software infrastructure for the Online Platform and Mobile Application;
 - (ii) operation and maintenance of the Online Platform and Mobile Application; and

- (iii) marketing of the Online Platform and Mobile Application in China and Hong Kong .

The term of the Licence Agreements shall be a period from 1 September 2021 to 2 September 2035. The Target Company shall be entitled to 70% of the net profit generated from the Online Platform and Mobile Application during the term of the Licence Agreements.

The Online Platform and Mobile Application included the following functions:

- (a) news centre including news of the tournaments of slamball worldwide;
- (b) information centre for information of the matches, teams, coaches and referees for slamball;
- (c) media centre for live broadcast, videos and photos of the slamball games;
- (d) social media centre for fans' interactions and other online activities;
- (e) e-commerce centre for purchasing loyalty gifts and tickets for matches as well as online booking for venue for slamball; and
- (f) education centre for learning slamball skills and related knowledge, etc..

Users of the Online Platform and Mobile Application will be required to join membership to access the exclusive information on the Online Platform and Mobile Application, including special news commentary, exclusive videos of slamball games, discount on purchasing gifts and tickets as well as some learning materials for slamball.

The following sets out the unaudited financial information of the Target Company for the period from its incorporation to 31 August 2021 as provided by the Vendor:

**For the period from its
incorporation to 31 August
2021
HK\$
(unaudited)**

Revenue	Nil
Net loss before taxation	20,000
Net loss after taxation	20,000
Net asset value	(19,999)

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, while (a) Mr. Li Xiaoping, our independent non-executive Director, is a supervisor of the PRC Developer; and (b) Mr. Wong Hiu Tung, the legal representative of a subsidiary of our Company, is also one out of the five directors of the PRC Developer and one out of three directors of the Hong Kong Developer, both of the PRC Developer and the Hong Kong Developer are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is a well-established information technology (“IT”) services provider with business portfolio including provision of IT infrastructure solutions services, IT development solutions services, IT maintenance and support services and trading of entertainment products, with over 20 years of experience in the IT consulting services industry in Hong Kong. The Group provided IT services to both private and public sectors and its customers include government and statutory bodies, banks and financial institutions, technology, media, and telecom companies, and transportation & logistic companies, etc..

In view of the development of internet technology, the Board considers that online platforms and mobile applications are gaining more popularities and there are increasing number of sports tournaments that developed their online platforms and mobile applications to promote the sports tournament and to facilitate communication with those who are interested in it. By digitalisation, sports tournaments and related activities can also be promoted worldwide. As such, the Board is optimistic about the future development of online platforms and mobile applications for sports tournaments.

The Board has been actively seeking opportunities for business expansions. Although the Target Company was incorporated on 1 June 2021 and the development of the Online Platform and the Mobile Application was still in its initial stages, the Board believes that the Acquisition represents a good opportunity for the Group to further develop our IT development solutions services to development and maintenance of online platforms and mobile applications and broaden the source of income of the Group.

The Directors consider that the terms of the Agreement are fair and reasonable, on normal commercial terms and are in the best interests of the Company and its Shareholders as a whole.

GENERAL MANDATE

The Consideration Shares will be issued under the General Mandate. Under the General Mandate, the Directors are allowed to allot, issue and deal with the unissued Shares for an aggregate number not exceeding 20% of the then issued shares of the Company on the date of the 2021 AGM. Up to the date of this announcement, no Share has been allotted or issued pursuant to the General Mandate. Accordingly, the issue of the Consideration Shares is not subject to any further approval of the Shareholders.

APPLICATION FOR LISTING OF THE CONSIDERATION SHARES

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares to be allotted and issued shall rank *pari passu* among themselves and with all Shares in issue on the Completion Date.

GEM LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Shareholders and potential investors of the Company should note that the Completion of the Acquisition is subject to the fulfilment (or waiver, if applicable) of certain conditions precedent under the Agreement and therefore the Completion may or may not take place. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“2021 AGM”	the annual general meeting of the Company held on 29 June 2021
“Acquisition”	the acquisition of the Sale Share by the Company from the Vendor pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 14 October 2021 entered into among the Vendor, the Company and the Target Company in relation to the Acquisition
“Board”	the board of Directors
“Business Day”	a day other than a Saturday, Sunday or public holiday on which banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Kinetix Systems Holdings Limited (捷冠控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange
“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the Agreement
“Completion Date”	the date of the Completion, which shall take place on the tenth Business Day following the date on which the last of the conditions under the Agreement has been fulfilled (or otherwise waived) or such other date as the parties may agree in writing on which the Agreement shall be completed
“connected person(s)”	has the meaning as ascribed to it under the GEM Listing Rules
“Consideration”	the total consideration in the sum of HK\$25,000,000 for the

		Acquisition payable by the Company to the Vendor
“Consideration Shares”		the 185,185,185 new Shares to be allotted and issued by the Company at the Issue Price to the Vendor as the Consideration pursuant to the terms and conditions of the Agreement
“Director(s)”		directors of the Company
“Encumbrance”		any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect or any agreement to create any of the above
“GEM Listing Committee”		the GEM listing committee of the Stock Exchange
“GEM Listing Rules”		the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“General Mandate”		the general mandate granted to the Directors by the Shareholders, pursuant to the resolution passed on the 2021 AGM to allot, issue and deal with the unissued Shares for an aggregate number not exceeding 20% of the then issued shares of the Company, which was 192,000,000 Shares
“Group”		the Company and its subsidiaries
“Hong Kong”		the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”		an individual or a company who or which is independent of and not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
“Issue Price”		the issue price of approximately HK\$0.135 per Consideration Share
“Last Trading Day”		12 October 2021, being the last trading day immediately before the date of the Agreement
“Long Stop Date”		31 December 2021 or such other date as the Vendor and the Company may agree
“PRC”		the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Sale Share”		one ordinary share in the share capital of the Target Company, representing the entire issued share capital of the Target Company

“Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Universal Technology Development Limited, a company incorporated in Hong Kong with limited liability and wholly owned by the Vendor as at the date of this announcement
“Vendor”	Mr. Wang Bo, the legal and beneficial owner of the entire issued share capital of the Target Company as at the date of this announcement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 15 October 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; Mr. Cheng Kwan Ngai, 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 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.