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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)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL
REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

This announcement is made at the request of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Reference is made to (i) the announcement of Kinetix Systems Holdings Limited (the “**Company**”) dated 22 March 2019 (the “**Final Results Announcement**”) and (ii) the annual report of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2018 (the “**Annual Report**”) posted on the respective websites of the Stock Exchange and the Company on 29 March 2019. Unless otherwise stated, capitalised terms used in herein shall have the same meanings as those defined in the Annual Report.

Further to the information disclosed in the Annual Report, the Company wishes to provide the following supplemental information regarding the allowance for expected credit losses of HK\$8.4 million, where approximately HK\$7.8 million of which was attributable to one of our clients (the “**Client**”).

The Group issued invoices to the Client in March 2018 with 30 days credit period which was due in April 2018. Up to June 2018, the Client’s invoices were past due 1- 3 months which was within the range of historical payment pattern of the Group’s other clients during the period from 1 January 2015 to 31 December 2017, for example, in the year ended 31 December 2015 and 2016 as disclosed in Appendix I of the prospectus of the Company dated 30 June 2018, the Group had trade receivables of approximately HK\$10.9 million and HK\$10.8 million which was 1-3 months past due respectively, all of which have been subsequently settled. In addition, taking into account (1) the

Client's responses to the Group in a number of correspondences during April 2018 and May 2018 that the relevant invoices would be settled; (2) the Client is the Hong Kong branch office of a reputable cloud and big data company in China with no history of default with the Group; and (3) based on the experience of the Group, the default rates of trade receivables with customers are historically low, the Directors were of the view that if the "expected credit loss ("ECL") model" under HKFRS 9 were to be applied by the Group, it would not result in any significant impact on the Group's financial position and results of operation.

By the time the Group issued its interim result announcement for the six months ended 30 June 2018 in August 2018, the relevant trade receivables from the Client was slightly over 3 months past due, hence the Group made a provision for trade receivables from the Client of approximately HK\$170,000 after considering (1) the size and scale of operation of the Client, being one of the factors in the Group's ECL assessment; (2) the period of past due compared to historical payment pattern of the Group's clients ; and (3) the Group's communication with the Client.

By the time the Group issued its third quarterly results announcement for the nine months ended 30 September 2018 in November 2018, the relevant trade receivables from the Client was slightly over 6 months past due, the Directors considered that the allowance for expected credit loss regarding the relevant trade receivables from the Client should be increased to approximately HK\$5.3 million (i.e. approximately 68% of the total trade receivables amount with the Client), considering (1) the Group's assessment on the probability of settlement by the Client; (2) the period of past due compared to historical payment pattern of the Group's clients (slightly over 6 months which is relatively uncommon); and (3) size and scale of operation of the Client, being one of the factors in the Group's ECL assessment.

By the time the Group issued its final result announcement for year ended 31 December 2018 in March 2019, the allowance for expected credit loss regarding the relevant trade receivables from the Client was increased to approximately HK\$7.8 million (i.e. the full amount of the total trade receivables with the Client) as the relevant trade receivables was more than 9 months past due.

The Group has provided IT infrastructure service to the Client and the services have been accepted by the Client when the invoice was issued. However, according to the best knowledge and understanding of the Group, the Client experienced certain implementation challenges in the said IT project and the Client would need to make the

necessary modification so as to complete the project. The Group emphasises that the length of credit period to the Client and subsequent expected credit loss are due to modification of project and not due to the financial difficulty of the Client.

The above supplemental information does not affect other information contained in the Final Results Announcement and Annual Report, and save as disclosed in this announcement, the remaining contents of the Final Results Announcement and Annual Report remain unchanged.

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

Hong Kong, 8 April 2019

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, Mr. Wong Tsun Ho Ian, Mr. Law Cheung Moon as executive Directors; Mr. Lam Yau Hin, Mr. Yeung Wai Keung, Mr. Cheung Wah Kit Jason 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.