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KINETIX SYSTEMS HOLDINGS LIMITED

捷冠控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8606)

PROPOSED REFRESHMENT OF GENERAL MANDATE

The Board proposes to refresh the general mandate for the Directors to allot and issue Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing of the relevant ordinary resolution at the EGM. Pursuant to Rule 17.42A of the GEM Listing Rules, the grant of the New General Mandate will be subject to Independent Shareholders' approval at a general meeting of the Company.

An EGM will be held to consider and, if thought fit, pass an ordinary resolution to approve the grant of the New General Mandate. The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lam Yau Hin and Ms. Lam Shun Ka, will be established to advise the Independent Shareholders on the proposed grant of the New General Mandate. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed grant of the New General Mandate.

A circular containing, among others, information regarding the proposed grant of the New General Mandate, the recommendation from the Independent Board Committee to the Independent Shareholders, and the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed grant of the New General Mandate, together with a notice of EGM will be despatched to the Shareholders as soon as practicable.

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ALLOT, ISSUE AND DEAL WITH NEW SHARES

The Board proposes to refresh the general mandate for the Directors to allot, issue and deal with new Shares up to 20% of the issued share capital of the Company as at the date of passing of the relevant resolutions at the EGM.

EXISTING GENERAL MANDATE

At the AGM, the Shareholders approved, among other things, an ordinary resolution for granting to the Directors the Existing General Mandate to allot and issue not more than 160,000,000 Shares, being 20% of the entire issued share capital of the Company of 800,000,000 Shares as at the date of passing of the relevant resolution.

As announced in the announcements of the Company dated 21 December 2020, 6 January 2021, 20 January 2021 and 1 February 2021, up to 160,000,000 Shares may be allotted and issued under the Existing General Mandate under the Convertible Bonds. The Existing General Mandate has been utilized as to 160,000,000 Shares, representing 100% of the aggregate number of Shares which may be allotted and issued under the Existing General Mandate.

As at the date of this announcement, the Company had not made any refreshment of the Existing General Mandate since the AGM and save for the 160,000,000 Conversion Shares under the Convertible Bond, there were no other outstanding options, warrants, convertible securities or other rights to subscribe for Shares.

PROPOSED GRANT OF NEW GENERAL MANDATE

As at the date of this announcement, the Existing General Mandate has been fully utilised. The Company will convene the EGM at which ordinary resolutions will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the New General Mandate to allot and issue Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing of the relevant ordinary resolution at the EGM; and
- (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the AGM.

The Company has not refreshed the Existing General Mandate since the AGM. The New General Mandate proposed will last until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any other applicable laws to be held; or
- (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors under the New General Mandate.

As at the date of this announcement, the Company had an aggregate of 800,000,000 Shares in issue. On the basis that no further Shares are issued and/or repurchased by the Company between the date of this announcement and the date of the EGM, the Company will be allowed under the New General Mandate to allot and issue up to 160,000,000 Shares, representing 20% of the aggregate number of the issued Shares as at the date of this announcement.

REASONS FOR THE GRANT OF THE NEW GENERAL MANDATE

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.

Having reviewed the financial position of the Group, the Board considers that the Group has imminent need for funding because of the following reasons:

1. The implementation of our business expansion plan as disclosed in the announcement of the Company dated 25 February 2021 regarding to the establishment of Shanghai Kinetix Systems Limited, an indirectly wholly-owned subsidiary of the Company, the establishment of its PRC's headquarter and the comprehensive co-operation with the Shanghai Municipal Government.
2. The Group requires additional funding for its general working capital to support its business development in the PRC.

As a result of the issuance of Convertible Bonds, the Existing General Mandate has been fully utilised. It is expected that the next annual general meeting of the Company will be held around the end of May 2021, which is about 3 months from the date of this announcement. As set out above, the Company is in imminent need of cash for its general working capital prior to the next annual general meeting of the Company and hence has an imminent need to refresh the Existing General Mandate. The New General Mandate will allow the Company to have sufficient flexibility to grasp appropriate fund raising opportunities during this period. As such, the Directors consider that the Refreshment of General Mandate is justifiable.

The Directors have considered other financing alternatives apart from equity financing such as debt financing, right issue, open offer or internal cash resources to meet the immediate funding needs of the Group, if appropriate, taking into consideration the financial position, capital structure and cost of funding of the Group as well as the prevailing market condition. However, debt financing may be subject to lengthy due diligence and negotiations as compared to the equity financing available to the Directors if the refreshment of the general mandate is granted. Furthermore, rights issue or open offer may also involve substantial time and cost to complete as compared to equity financing by issuance of new Shares under general mandate.

As at the date of this announcement, the Company has been in discussion with some institutions for conducting proposed equity fund raising of the Company within the next 2 months but as at the date of this announcement, the Company has not yet formulated any concrete plan for raising capital by issuing new Shares under the New General Mandate.

LISTING RULES IMPLICATION

Pursuant to Rule 17.42A of the GEM Listing Rules, the grant of the New General Mandate will be subject to Independent Shareholders' approval at a general meeting of the Company. Any controlling Shareholders and their respective associates, or where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions to approve the grant of the New General Mandate.

As at the date of this announcement, to the best knowledge, belief and information of the Directors, having made all reasonable enquiries, Vigorous King Limited, a company owned as to 100% by Mr. Yu Pak Lun Larry (the chairman and an executive Director of the Company), was holding an aggregate of 415,000,000 Shares, representing approximately 51.88% of the existing issued share capital of the Company. As such, Vigorous King Limited is required to abstain from voting in favour of the resolution regarding the grant of the New General Mandate at the EGM.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, except Vigorous King Limited, no Shareholder is required to abstain from voting on the proposed resolution on the grant of the New General Mandate at the EGM.

EGM

An EGM will be held to consider and, if thought fit, pass an ordinary resolution to approve the grant of the New General Mandate. The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lam Yau Hin and Ms. Lam Shun Ka, will be established to advise the Independent Shareholders on the proposed grant of the New General Mandate. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed grant of the New General Mandate.

A circular containing, among others, information regarding the proposed grant of the New General Mandate, the recommendation from the Independent Board Committee to the Independent Shareholders, and the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed grant of the New General Mandate, together with a notice of EGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 7 May 2020 in which the Shareholders had approved, among other matters, the Existing General Mandate
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	Kinetix Systems Holding Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM of the Stock Exchange
“Conversion Shares”	new Shares to be issued upon conversion of the Convertible Bond
“Convertible Bonds”	convertible bonds in the aggregate principal amount of HK\$48,000,000 issued by the Company, pursuant to the sale and purchase agreement dated 21 December 2020 entered into between Kinetix Systems Limited, an indirect wholly-owned subsidiary of the Company, as purchaser and Dalian Luminary Technology Inc. as vendor
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the grant of the New General Mandate
“Existing General Mandate”	the general mandate granted at the AGM to the Directors to allot, issue and deal with up to 160,000,000 new Shares, being 20% of the total number of issued Shares on the date of the AGM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Company, comprising all the independent non-executive Directors, to advise the Independent Shareholders on the grant of the New General Mandate
“Independent Financial Adviser”	Elstone Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the Company in respect of the Refreshment of General Mandate
“Independent Shareholder(s)”	Shareholder(s) other than any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executives of the Company and all their respective associates
“Kinetix Shanghai”	Shanghai Kinetix Systems Limited, an indirectly wholly-owned subsidiary of the Company
“Memorandum”	the Strategic Cooperation Memorandum entered into between Kinetix Shanghai and the Shanghai Jing’an District Finance Bureau on 25 February 2021
“New General Mandate”	the general mandate proposed to be granted to the Directors at the EGM to allot, issue and deal with new Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of the EGM
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	the lawful currency of the PRC

“Share(s)”	ordinary shares of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

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

Hong Kong, 5 March 2021

As at the date of this announcement, the board of directors of the Company comprises Mr. Yu Pak Lun Larry, Mr. Leung Patrick Cheong Yu, and Mr. Law Cheung Moon as executive directors; Mr. Cheng Kwan Ngai and Ms. Chen Jie as non-executive directors; Mr. Lam Yau Hin, 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.