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**kinetix**

**Kinetix Systems Holdings Limited**

**捷冠控股有限公司**

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8606

## **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.**

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*This report for which the directors (the “Directors” or individually a “Director”) of Kinetix Systems Holdings Limited (the “Company”, together with its subsidiaries, the “Group”, “we”, “our” or “us”) 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 (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 report 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 report misleading.*



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Yu Larry  
(Chairman and Chief Executive Officer)  
(formerly known as Yu Pak Lun Larry)  
Mr. Law Cheung Moon  
Mr. Leung Patrick Cheong Yu

#### Non-executive Directors

Ms. Chen Jie (resigned on 3 April 2023)  
Mr. Tang Biao

#### Independent Non-executive Directors

Ms. Lam Shun Ka  
(formerly known as Lam Yuk Shan)  
Dr. He Dazhi  
Mr. Li Xiaoping  
Mr. Tong Tsz Kwan

#### COMPANY SECRETARY

Mr. Fung Kui Kei

#### REGISTERED OFFICE

Ocorian Trust (Cayman) Limited  
Windward 3, Regatta Office Park  
P.O. Box 1350  
Grand Cayman  
KY1-1108  
Cayman Islands

#### HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS

6/F, SML Tower  
165 Hoi Bun Road  
Kwun Tong  
Kowloon  
Hong Kong

#### AUDITOR

Linksfield CPA Limited  
*Public Accountants and Chartered Accountants  
and Registered Public Interest Entity Auditor*  
Units 2001–2, 20th floor  
Podium Plaza, 5 Hanoi Road  
Tsim Sha Tsui, Kowloon

#### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited  
Windward 3, Regatta Office Park  
P.O. Box 1350  
Grand Cayman  
KY1-1108  
Cayman Islands

#### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

#### STOCK CODE

8606

#### WEBSITE

[www.kinetix.com.hk](http://www.kinetix.com.hk)

## **FINANCIAL HIGHLIGHTS**

- The total revenue of the Group amounted to approximately HK\$68.8 million for the three months ended 31 March 2023, increased by approximately 6.9% as compared to that of the same period in 2022.
- The gross profit amounted to approximately HK\$13.0 million for the three months ended 31 March 2023, increased by approximately 33.6% as compared to that of the same period in 2022.
- The Group recorded a net loss of approximately HK\$5.2 million for the three months ended 31 March 2023.
- The board of Directors (the “Board”) does not recommend the payment of quarterly dividend for the three months ended 31 March 2023.

## FINANCIAL RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2023

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2023, together with the unaudited comparative figures for the corresponding period in 2022 as follows:

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

For the three months ended 31 March 2023

		Three months ended 31 March	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
	Notes		
<b>Revenue</b>	5(a)	<b>68,777</b>	64,319
Cost of sales		<b>(55,763)</b>	(54,577)
<b>Gross profit</b>		<b>13,014</b>	9,742
Other income, other gains or losses	5(b)	<b>248</b>	222
Selling expenses		<b>(2,849)</b>	(3,632)
Administrative and general expenses		<b>(15,688)</b>	(15,998)
Reversal of/(allowance for) expected credit losses		<b>348</b>	(192)
Finance costs		<b>(253)</b>	(282)
<b>Loss before tax</b>	6	<b>(5,180)</b>	(10,140)
Income tax	7	<b>(1)</b>	–
<b>Loss for the period</b>		<b>(5,181)</b>	(10,140)
Attributable to:			
Owners of the Company		<b>(5,492)</b>	(9,844)
Non-controlling interests		<b>311</b>	(296)
<b>Loss for the period</b>		<b>(5,181)</b>	(10,140)
		<b>HK cents</b>	HK cents
Loss per share			
– Basic and diluted	9	<b>(0.38)</b>	(1.02)

	<b>Three months ended 31 March</b>	
	<b>2023 (Unaudited) HK\$'000</b>	2022 (Unaudited) HK\$'000
<b>Loss for the period</b>	<b>(5,181)</b>	(10,140)
<b>Other comprehensive loss</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation of foreign operations	<b>(63)</b>	(474)
Other comprehensive loss for the period, net of tax	<b>(63)</b>	(474)
<b>Total comprehensive loss for the period</b>	<b>(5,244)</b>	(10,614)
<b>Attributable to:</b>		
Owners of the Company	<b>(5,555)</b>	(10,318)
Non-controlling interests	<b>311</b>	(296)
	<b>(5,244)</b>	(10,614)

## QUARTERLY CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the three months ended 31 March 2023

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Share-based payment reserve	Exchange reserve	Retained earnings/ (accumulated losses)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2022 (audited)	9,639	90,865	10	3,364	(10)	28,051	131,919	(2,316)	129,603
Loss for the period	-	-	-	-	-	(9,844)	(9,844)	(296)	(10,140)
Exchange difference arising from translation of foreign operations	-	-	-	-	(474)	-	(474)	-	(474)
Total comprehensive loss for the period	-	-	-	-	(474)	(9,844)	(10,318)	(296)	(10,614)
At 31 March 2022 (unaudited)	9,639	90,865	10	3,364	(484)	18,207	121,601	(2,612)	118,989
<b>At 1 January 2023 (audited)</b>	<b>9,639</b>	<b>90,865</b>	<b>10</b>	<b>3,364</b>	<b>(37)</b>	<b>(39,007)</b>	<b>64,834</b>	<b>(5,164)</b>	<b>59,670</b>
Loss for the period	-	-	-	-	-	(5,492)	(5,492)	311	(5,181)
Exchange difference arising from translation of foreign operations	-	-	-	-	(63)	-	(63)	-	(63)
Total comprehensive loss for the period	-	-	-	-	(63)	(5,492)	(5,555)	311	(5,244)
Shares issued under rights issue	4,820	26,507	-	-	-	-	31,327	-	31,327
Transaction costs incurred in respect of rights issue	-	(1,424)	-	-	-	-	(1,424)	-	(1,424)
<b>At 31 March 2023 (unaudited)</b>	<b>14,459</b>	<b>115,948</b>	<b>10</b>	<b>3,364</b>	<b>(100)</b>	<b>(44,499)</b>	<b>89,182</b>	<b>(4,853)</b>	<b>84,329</b>

## **NOTES TO THE QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended 31 March 2023

### **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 entertainment products.

### **2. BASIS OF PREPARATION AND PRESENTATION**

The unaudited quarterly condensed consolidated financial statements for the three months ended 31 March 2023 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 of Hong Kong Limited (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 2022.

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 same as those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2022, except for the new and amendments to HKFRSs and interpretations issued by HKICPA that are first effective for the current accounting period of the Group. There has been no significant change 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.

### 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 resources 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 entertainment products.

#### Geographical information

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

	Three months ended 31 March	
	2023 (Unaudited) HK\$’000	2022 (Unaudited) HK\$’000
Hong Kong	68,286	63,158
Macau	275	1,161
UK	86	–
Singapore	130	–
	<b>68,777</b>	64,319

## 5. REVENUE, OTHER INCOME, OTHER GAINS OR LOSSES

(a) An analysis of the Group's revenue as follows:

	<b>Three months ended 31 March</b>	
	<b>2023 (Unaudited) HK\$'000</b>	2022 (Unaudited) HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15, types of goods or services</b>		
IT solution services		
IT infrastructure solutions services	<b>30,226</b>	23,372
IT development solutions services	<b>25,022</b>	28,108
IT maintenance and support services	<b>13,529</b>	11,639
Entertainment products	–	1,200
<b>Total revenue</b>	<b>68,777</b>	64,319

### 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 for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	<b>For the three months ended 31 March 2023</b>				
	<b>IT solutions services</b>				
	<b>IT infrastructure solutions services (Unaudited) HK\$'000</b>	<b>IT development solutions services (Unaudited) HK\$'000</b>	<b>IT maintenance and support services (Unaudited) HK\$'000</b>	<b>Entertainment products (Unaudited) HK\$'000</b>	<b>Total (Unaudited) HK\$'000</b>
<b>Disaggregated by timing of revenue recognition</b>					
At a point in time	21,105	–	1,853	–	22,958
Over time	9,121	25,022	11,676	–	45,819
<b>Revenue from external customers</b>	<b>30,226</b>	<b>25,022</b>	<b>13,529</b>	<b>–</b>	<b>68,777</b>

For the three months ended 31 March 2022  
IT solutions services

	IT infrastructure solutions services (Unaudited) HK\$'000	IT development solutions services (Unaudited) HK\$'000	IT maintenance and support services (Unaudited) HK\$'000	Entertainment products (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Disaggregated by timing of revenue recognition</b>					
At a point in time	21,419	–	5,161	–	26,580
Over time	1,953	28,108	6,478	1,200	37,739
<b>Revenue from external customers</b>	23,372	28,108	11,639	1,200	64,319

**(b) Other income, other gains or losses**

The balance mainly represents foreign exchange difference for the three months ended 31 March 2023.

For the three months ended 31 March 2022, the balance mainly represents foreign exchange difference and finance lease interest income.

## 6. LOSS BEFORE TAX

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

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Amortisation of intangible asset	–	800
Cost of hardware and software recognised as expenses	<b>30,154</b>	27,672
Cost of IT solutions services*	<b>8,869</b>	16,451
Cost of IT maintenance and support services*	<b>9,940</b>	9,454
Cost of inventories recognised as an expense	–	1,000
Depreciation of property, plant and equipment	<b>697</b>	473
Depreciation of right-of-use assets	<b>1,551</b>	1,050
Loss on disposal of property, plant and equipment	–	52
(Reversal of)/allowance for expected credit losses	<b>(348)</b>	192
Premium charges on a life insurance policy	<b>40</b>	40
Foreign exchange differences, net	<b>(172)</b>	(109)
Lease payments under short-term leases		
– Office premises	–	738
– Director's quarter	–	171
Retirement fund scheme contributions	<b>617</b>	743
Directors' fee, salaries, allowances and other benefits in kind		
– Directors of the Company	<b>767</b>	788
– Other staff	<b>12,432</b>	19,425

\* Included in the above costs are subcontracting costs amounting to HK\$18,810,000 for the three months ended 31 March 2023 (three months ended 31 March 2022: HK\$20,337,000).

## 7. INCOME TAX

	Three months ended 31 March	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current tax-Under provision	43	–
Deferred tax	(42)	–
	1	–

The Hong Kong profits tax of the qualifying group entity 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. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 8. DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2023 (31 March 2022: nil).

## 9. LOSS PER SHARE

### (a) Basic loss per share

	Three months ended 31 March	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Loss for the period attributable to the owners of the Company	(5,492)	(9,844)
Weighted average number of ordinary shares in issue (in thousands)	1,445,850	963,900
Basic loss per share (Hong Kong cents)	(0.38)	(1.02)

### (b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of all potentially dilutive ordinary shares. The Company has potentially dilutive ordinary shares of share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the three months ended 31 March 2023 and 2022, diluted loss per share is the same as the basic loss per share as the exercise of potential ordinary shares in relation to the outstanding share options would have anti-dilutive effects to the basic loss per share.

## 10. BANK BORROWINGS

As at 31 March 2023, the Group had term loan of HK\$2,184,000 (31 December 2022: HK\$2,450,000). 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.



## **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 approximately 24 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 entertainment products.

## **BUSINESS REVIEW AND OUTLOOK**

For the three months ended 31 March 2023 (“Quarterly 2023”), the Group recorded a loss of approximately HK\$5.2 million as compared to the loss of approximately HK\$10.1 million for the three months ended 31 March 2022 (“Quarterly 2022”). The decrease in loss was mainly attributed to (i) the increase in gross profit by approximately HK\$3.3 million; (ii) the decrease in staff cost in administrative and selling expenses by approximately HK\$0.3 million mainly due to the decrease in commission expenses; (iii) the decrease in allowance for expected credit losses by HK\$0.5 million mainly due to favourable receivables collection period; and (iv) the decrease in amortisation by HK\$0.8 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 2023 amounted to approximately HK\$30.2 million, representing approximately 43.9% of the total revenue for Quarterly 2023. The revenue derived from this segment increased by approximately 29.3% from approximately HK\$23.4 million for Quarterly 2022 to approximately HK\$30.2 million for Quarterly 2023. The increase was primarily due to the increase in the total number of projects and total revenue recognised of IT infrastructure solutions services projects undertaken in Quarterly 2023.

### **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 accounted for approximately 36.4% of the total revenue for Quarterly 2023. The revenue from this segment decreased by approximately 11.0% from approximately HK\$28.1 million for Quarterly 2022 to approximately HK\$25.0 million for Quarterly 2023. The decrease was primarily due to the decrease in the total number of projects and total contract value of IT development solution services projects awarded in Quarterly 2023.

### **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\$13.5 million, representing approximately 19.7% of the total revenue for Quarterly 2023. The revenue derived from this segment increased by approximately 16.2% from approximately HK\$11.6 million for Quarterly 2022 to approximately HK\$13.5 million for Quarterly 2023. The increase in revenue from this segment was primarily due to the increase in total number of projects with the increase in the average contract value of IT maintenance and support services projects awarded.

### **Entertainment products**

This segment operates an e-commerce business which includes trading of entertainment products and consultant services for digital payment advisory on payment platform. The revenue generated from this segment decreased by approximately HK\$1.2 million. Such decrease due to no revenue was generated from this segment for Quarterly 2023, which is affected by temporary reduction of exporting the entertainment products and consultant services.

### **PROSPECTS AND OUTLOOK**

In the first quarter of 2023, the Group recorded an increase in income when comparing to the same period in 2022. Looking forward, the Group considers the global business environment will become more and more prosperous as the pandemic's effects are gradually being alleviated in different markets, with the relief of various Hong Kong and the PRC's government policies measures for the COVID-19 pandemic and the reopen of the PRC and Hong Kong border. The Group will improve its responsiveness to the latest market trends, strengthen its position in the current market and continue its business expansion plan in order to respond to the returning of project opportunities and the recovering Hong Kong economy and the global business environment. In particular, the Group is optimistic about the prospects of its IT infrastructure and development solutions services. Leveraging on the Group's industrial knowledge, the Group will accelerate the integration of its IT infrastructure solution services and IT development solutions services to participate and contribute to the Hong Kong and the PRC economic development. The Group will actively manage its expansion in technical and development solution services and cultivation of new energy vehicle industry in the PRC with a view to achieve sustainable growth. The Group believes that these business expansions will be able to expand the Group's intelligent IT technical and development solution capability, thereby broadening the range of service of the Group to support various market demands, enhancing the competitiveness of the Group and broadening the geographical coverage of the Group's revenue base in existing business and eventually generating the best possible results and maximise returns for our shareholders in the medium to long term.





## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue for Quarterly 2023 amounted to approximately HK\$68.8 million, representing an increase of approximately HK\$4.5 million or 6.9% compared to Quarterly 2022 of approximately HK\$64.3 million. The increase was attributable to: (i) the increase in the revenue generated from provision of IT infrastructure solutions services by approximately HK\$6.9 million; and (ii) the increase in the revenue generated from provision of IT maintenance and support services by approximately HK\$1.9 million but was partially offset by: (i) the decrease in provision of IT development solutions services by approximately HK\$3.1 million; and (ii) the decrease in entertainment products by approximately HK\$1.2 million.

### **Gross profit and gross profit margin**

The gross profit of the Group increased by approximately 33.6% from approximately HK\$9.7 million for Quarterly 2022 to approximately HK\$13.0 million for Quarterly 2023 as the increase was mainly attributable to the increase in gross profit of IT infrastructure solutions services, IT development solutions services and IT maintenance and support services. The gross profit margin of the Group increased from approximately 15.1% for Quarterly 2022 to approximately 18.9% for Quarterly 2023. The increase was mainly attributable to the increase in gross profit margin of IT development solutions services projects and IT maintenance and support services projects associated with some relatively high margin projects during Quarterly 2023.

### **Selling expenses**

For Quarterly 2023, the Group's selling expenses amounted to approximately HK\$2.8 million, representing the decrease of approximately HK\$0.8 million or 21.6% as compared to Quarterly 2022 of approximately HK\$3.6 million. Such decrease was mainly attributed by the decrease in sales commission by approximately HK\$0.6 million due to change in sales commission scheme.

### **Administrative and general expenses**

The Group's administrative expenses for Quarterly 2023 amounted to approximately HK\$15.7 million, representing decrease of approximately HK\$0.3 million or 1.9% as compared to Quarterly 2022 of approximately HK\$16.0 million. Such decrease was mainly attributed by the decrease in amortisation by approximately HK\$0.8 million and decrease in disposal loss in Property, plant and equipment by approximately HK\$0.1 million, partially offset by the increase in staff cost by approximately HK\$0.6 million mainly due to salary increment.

### **Loss for the period**

The Group recorded loss of approximately HK\$5.2 million for Quarterly 2023, as compared to loss of approximately HK\$10.1 million for Quarterly 2022. The decrease in loss was mainly attributed to: (i) the increase in gross profit by approximately HK\$3.3 million; (ii) the decrease in staff cost in administrative and selling expenses by approximately HK\$0.3 million mainly due to the decrease in commission expenses; (iii) the decrease in allowance for expected credit losses by HK\$0.5 million mainly due to favourable receivables collection period; and (iv) the decrease in amortisation by approximately HK\$0.8 million.

### **Liquidity and financial resources**

The Group financed its operations primarily through cash generated from its operating activities. As at 31 March 2023, the Group had cash and cash equivalents of approximately HK\$58.3 million (31 December 2022: approximately HK\$25.2 million), which were cash at banks and in hand. Up to the date of condensed consolidated financial statements, the Group has bank borrowings of approximately HK\$2.2 million (31 December 2022: HK\$2.5 million). The Group have a credit facility from the Bank of East Asia of HK\$10.0 million as at 31 March 2023 (31 December 2022: HK\$10.0 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\$31.0 million 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 28.5% as at 31 March 2023 (31 December 2022: 43.6%). The Group expects its liquidity position would further be strengthened by using the cash generated from its operating activities and fund raising as a result of that the shares of the Company (the "Shares") were listed on the Stock Exchange on 9 March 2023. Going forward, the Group intends to use its capital for its operations and the expansion plans as stated in the prospectus dated 13 February 2023 (the "Prospectus").

### **Capital structure**

As at 31 March 2023, the capital structure of the Company comprised issued share capital and reserves and bank borrowings.

### **SIGNIFICANT INVESTMENTS**

During Quarterly 2023, the Group did not hold any significant investment in equity interest in any other company.



## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During Quarterly 2023, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2023, the Group had a total of 157 employees (31 March 2022: 180). Total staff costs (including directors' emoluments) were approximately HK\$20.1 million for Quarterly 2023, as compared to approximately HK\$20.3 million for Quarterly 2022.

Remuneration policy of the Group is reviewed regularly, making reference to legal framework, market condition and performance of the Group and individual staff (including the 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.

## 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 three months ended 31 March 2023 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 2023	Granted during the Quarterly 2023	Adjustment for rights issue during the Quarterly 2023	Exercised during the Quarterly 2023	Lapsed during the Quarterly 2023	Cancelled during the Quarterly 2023	Outstanding as at 31 March 2023
<b>Executive Directors</b>										
Mr. Yu Larry	16 August 2021	16 August 2021 – 15 August 2031	0.152	960,000	-	27,826	-	-	-	987,826
Mr. Law Cheung Moon	20 August 2021	20 August 2021 – 19 August 2031	0.154	715,000	-	20,725	-	-	-	735,725
Mr. Leung Patrick Cheong Yu	20 August 2021	20 August 2021 – 19 August 2031	0.154	715,000	-	20,725	-	-	-	735,725
<b>Other Employees</b>	16 August 2021	16 August 2021 – 15 August 2031	0.152	33,540,000	-	972,174	-	-	-	34,512,174
<b>Other Employees</b>	20 August 2021	20 August 2021 – 19 August 2031	0.154	30,570,000	-	886,086	-	-	-	31,456,086
				66,500,000	-	1,927,536	-	-	-	68,427,536

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

The maximum number of shares of the Company available for issuance upon exercise of all share options under the Share Option Scheme is 68,427,536, representing approximately 4.73% of the issued shares of the Company as at the date of this report. As at the date of this report, the available share options under the mandate limit of the Share Option Scheme is Nil.



### **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 31 March 2023.

### **CHARGES ON GROUP ASSETS**

As at 31 March 2023, 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, there were no other charges on the Group's assets (31 December 2022: HK\$31.0 million).

### **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 2023, 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 2023 and Quarterly 2022, 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 2023 and Quarterly 2022.

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

During Quarterly 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 March 2023, 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 notified 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 <sup>(1)</sup>	Approximate percentage of interest in the Company
Mr. Yu Larry	Interest in controlled corporations <sup>(2)</sup>	459,810,000 Shares (L)	31.80%
	Beneficial owner	987,826 Shares (L) <sup>(3)</sup>	0.07%
Mr. Law Cheung Moon	Beneficial owner	735,725 Shares (L) <sup>(3)</sup>	0.05%
Mr. Leung Patrick Cheong Yu	Beneficial owner	735,725 Shares (L) <sup>(3)</sup>	0.05%
Mr. Lam Tai Wai David	Beneficial owner	9,878,261 Shares (L) <sup>(3)</sup>	0.68%

#### 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 31.80% 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

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

Save as disclosed above, as at 31 March 2023, 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 31 March 2023, so far as the Directors were 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:

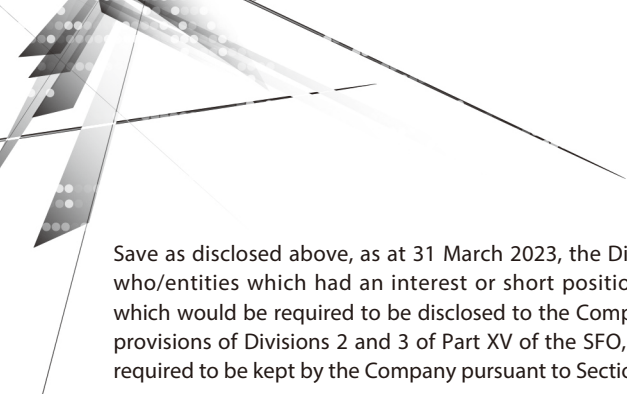
### The Company

Shareholders	Capacity/ Nature of interest	Number and class of securities <sup>(1)</sup>	Approximate percentage of interest in the Company
Vigorous King Limited <sup>(2)</sup>	Beneficial owner	459,810,000 Shares (L)	31.80%
Ms. Tong Po Ki Vicky <sup>(3)</sup>	Interest of spouse	460,797,826 Shares (L)	31.87%
Ms. Yiu Wai Ki	Beneficial owner	73,400,000 Shares (L)	5.08%
Mr. Leung Wan Hung <sup>(4)</sup>	Interest of spouse	73,400,000 Shares (L)	5.08%
Mr. Lam Sze Chun Jackson	Beneficial owner	150,920,000 Shares (L)	10.44%
Goldlink Hong Kong Investment Limited <sup>(5)</sup>	Beneficial owner	51,090,000 Shares (L)	3.54%
Rich Trend Hong Kong Investment Limited <sup>(6)</sup>	Beneficial owner	64,100,000 Shares (L)	4.43%

#### 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 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 31 March 2023, the Directors were not aware of any persons who/entities which 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.

## **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 Quarterly 2023, save for the deviation from such code disclosed below.

The CG Code in Appendix 15 to the GEM Listing Rules provision C.2.1 provides that the roles of chairman and chief executive officer 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 C.2.1 is appropriate in such circumstances.

Under the CG Code provision C.1.8, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. Currently, the Company does not have insurance cover 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 report.

## INTERESTS IN COMPETING BUSINESS

During the Quarterly 2023, 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.

## USE OF PROCEEDS

The net proceeds of the Group raised from the Rights Issue was approximately HK\$29.9 million, after deducting the underwriting fees, commissions and other listing expenses. Up to 31 March 2023, none of the net proceeds has been utilised. Net proceeds will be used according to the manner as set out in the table below:

	Amount expected to be used up to 31 March 2023 HK\$'million	Amount actually used up to 31 March 2023 HK\$'million	Balance as at 31 March 2023 HK\$'million	Expected timeline to fully utilise the remaining net proceeds
Develop and cultivate the new energy vehicle industry	11.90	–	–	11.90 31 December 2023
Expand the technical and development solution services in the PRC	8.0	–	–	8.0 31 December 2023
Working capital and other general corporate purposes	10.0	–	–	10.0 31 December 2023
Total	29.90	–	–	29.90



## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed with the management accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited financial statements of the Group for the three months ended 31 March 2023 and this report, 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 dividend for the three months ended 31 March 2023.

## **DISCLOSURE OF INFORMATION**

This report 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 report, there is no important event after Quarterly 2023.

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

Hong Kong, 15 May 2023