



kinetix

Kinetix Systems Holdings Limited

捷冠控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8606

2022

INTERIM REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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
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
*Certified Public Accountants and
Registered Public Interest Entity Auditor*
Unit 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
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
(on or after 15 August 2022)
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

STOCK CODE

8606

WEBSITE

www.kinetix.com.hk



FINANCIAL HIGHLIGHTS

- The total revenue of the Group amounted to approximately HK\$141.3 million for the six months ended 30 June 2022, increased by approximately 25.7% as compared to that of the same period in 2021.
- The gross profit amounted to approximately HK\$23.6 million for the six months ended 30 June 2022, increased by approximately 22.4% as compared to that of the same period in 2021.
- The Group recorded a net loss of approximately HK\$14.8 million for the six months ended 30 June 2022, as compared to a net loss of approximately HK\$10.0 million for the six months ended 30 June 2021.
- The board of Directors (the “Board”) resolved not to recommend the payment of interim dividend for the six months ended 30 June 2022.

FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The Board hereby presents the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2022, together with the unaudited comparative figures for the corresponding period in 2021 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue					
Cost of sales	5(a)	76,998 (63,098)	53,274 (47,449)	141,317 (117,675)	112,385 (93,071)
Gross profit		13,900	5,825	23,642	19,314
Other income, other gains or losses	5(b)	265	929	487	1,117
Selling expenses		(3,994)	(2,677)	(7,626)	(5,568)
Administrative and general expenses (Allowance for)/reversal of expected credit losses		(14,139)	(12,859)	(30,137)	(24,290)
Finance costs		(133)	(102)	(325)	143
		(383)	(304)	(665)	(488)
Loss before tax	6	(4,484)	(9,188)	(14,624)	(9,772)
Income tax	8	(128)	(37)	(128)	(234)
Loss for the period		(4,612)	(9,225)	(14,752)	(10,006)
Attributable to:					
Owners of the Company		(3,800)	(8,951)	(13,644)	(9,361)
Non-controlling interests		(812)	(274)	(1,108)	(645)
Loss for the period		(4,612)	(9,225)	(14,752)	(10,006)
		HK cents	HK cents	HK cents	HK cents
Loss per share					
– Basic and diluted	10	(0.39)	(1.00)	(1.42)	(1.11)

Notes	Three months ended 30 June		Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Loss for the period	(4,612)	(9,225)	(14,752)	(10,006)
Other comprehensive income/(loss) <i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange difference arising on translation of foreign operations	446	-	(28)	-
Other comprehensive income/(loss) for the period, net of tax	446	-	(28)	-
Total comprehensive loss for the period	(4,166)	(9,225)	(14,780)	(10,006)
Attributable to:				
Owners of the Company	(3,354)	(8,951)	(13,672)	(9,361)
Non-controlling interest	(812)	(274)	(1,108)	(645)
	(4,166)	(9,225)	(14,780)	(10,006)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	11	9,459	10,884
Right-of-use assets	12	19,372	15,709
Intangible asset	13	43,467	45,067
Finance lease receivables		649	2,392
Deposits and prepayments	14	733	747
Deposit and prepayment for a life insurance policy		6,696	6,712
		80,376	81,511
<i>Current assets</i>			
Inventories		10,974	11,855
Finance lease receivables		4,191	4,848
Trade and other receivables	14	74,745	84,391
Contract assets		34,923	28,066
Amount due from immediate holding company		57	57
Amounts due from non-controlling shareholders		243	243
Current income tax assets		944	766
Cash and cash equivalents		27,419	29,966
		153,496	160,192
Total assets		233,872	241,703

		As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
	Notes		
Equity			
<i>Capital and reserves</i>			
Share capital	16	9,639	9,639
Reserves		108,608	122,280
Equity attributable to owners of the Company		118,247	131,919
Non-controlling interests		(3,424)	(2,316)
Total equity		114,823	129,603
Liabilities			
<i>Non-current liabilities</i>			
Lease liabilities		16,145	15,489
Deferred income tax liabilities		189	61
		16,334	15,550
<i>Current liabilities</i>			
Trade and other payables	15	66,736	68,344
Bank borrowings	18	6,976	11,717
Amounts due to non-controlling shareholders		3,297	3,044
Lease liabilities		8,298	6,092
Contract liabilities		17,408	7,353
		102,715	96,550
Total liabilities		119,049	112,100
Total equity and liabilities		233,872	241,703

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company									
	Share capital	Share premium	Other reserve	Share-based payment reserve	Convertible bonds equity reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1 January 2021 (audited)	8,000	43,199	10	-	-	-	47,909	99,118	(1,216)	97,902
Loss for the period	-	-	-	-	-	-	(9,361)	(9,361)	(645)	(10,006)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	(9,361)	(9,361)	(645)	(10,006)
Issuance of convertible bonds	-	-	-	-	10,149	-	-	10,149	-	10,149
Issuance of share upon conversion of convertible bonds	1,600	46,400	-	-	(10,149)	-	-	37,851	-	37,851
30 June 2021 (unaudited)	9,600	89,599	10	-	-	-	38,548	137,757	(1,861)	135,896
1 January 2022 (audited)	9,639	90,865	10	3,364	-	(10)	28,051	131,919	(2,316)	129,603
Loss for the period	-	-	-	-	-	-	(13,644)	(13,644)	(1,108)	(14,752)
Exchange difference arising from translation of foreign operations	-	-	-	-	-	(28)	-	(28)	-	(28)
Total comprehensive loss for the period	-	-	-	-	-	(28)	(13,644)	(13,672)	(1,108)	(14,780)
30 June 2022 (unaudited)	9,639	90,865	10	3,364	-	(38)	14,407	118,247	(3,424)	114,823

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Net cash generated from operating activities	5,906	6,116
Net cash used in investing activities	(286)	(9,977)
Net cash used in financing activities	(8,828)	(6,212)
Net decrease in cash and cash equivalents	(3,208)	(10,073)
Cash and cash equivalents at beginning of period	29,966	35,793
Effect of foreign exchange rate changes	661	–
Cash and cash equivalents at end of period	27,419	25,720

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 interim condensed consolidated financial statements for the six months ended 30 June 2022 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 (the "GEM Listing Rules"). The principal accounting policies used in preparing the unaudited interim 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 2021.

The unaudited interim 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 interim 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 interim 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 2021, 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 interim 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 of the Group. 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 30 June		Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Geographical markets:				
– Hong Kong	75,408	52,579	138,566	110,852
– Macau	1,590	695	2,751	1,533
	76,998	53,274	141,317	112,385

Information about major customers

Revenue from customers individually contributing 10% or more of the Group's revenue are as follow:

	Three months ended 30 June		Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Customer A	10,498	*	*	*
Customer B	*	6,689	*	*
Customer C	*	10,243	*	*
Customer D	–	5,710	–	*

* Representing contributed less than 10% of the Group's revenue during the relevant periods.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME, OTHER GAINS OR LOSSES

(a) Revenue from contracts with customers

An analysis of the Group's revenue is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue				
IT solutions services				
IT infrastructure solutions services	23,914	21,080	47,286	38,507
IT development solutions services	32,732	16,937	60,840	47,441
IT maintenance and support services	19,467	8,421	32,306	16,160
Entertainment products	885	6,836	885	10,277
	76,998	53,274	141,317	112,385

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

For the three months ended 30 June 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
Disaggregated by timing of revenue recognition					
At a point in time	16,228	-	-	885	17,113
Over time	7,686	32,732	19,467	-	59,885
Revenue from external customers	23,914	32,732	19,467	885	76,998

For the three months ended 30 June 2021					
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
Disaggregated by timing of revenue recognition					
At a point in time	21,024	-	-	6,836	27,860
Over time	56	16,937	8,421	-	25,414
Revenue from external customers	21,080	16,937	8,421	6,836	53,274

For the six months ended 30 June 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	
Disaggregated by timing of revenue recognition					
At a point in time	25,903	-	-	885	26,788
Over time	21,383	60,840	32,306	-	114,529
Revenue from external customers					
	47,286	60,840	32,306	885	141,317

For the six months ended 30 June 2021					
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	
Disaggregated by timing of revenue recognition					
At a point in time	38,278	-	-	10,277	48,555
Over time	229	47,441	16,160	-	63,830
Revenue from external customers					
	38,507	47,441	16,160	10,277	112,385

(b) Other income, other gains or losses

The balance mainly represents government grant and exchange gain for the six months ended 30 June 2022.

For the six months ended 30 June 2021, the balance mainly represents finance lease interest income and compensation rebate.

6. LOSS BEFORE TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Auditor's remuneration				
– Audit services	–	46	–	102
– Non-audit services**	–	60	–	120
Cost of hardware and software recognised as expenses	18,410	23,502	46,082	43,874
Cost of IT solutions services*	27,702	11,636	44,153	28,675
Cost of IT maintenance and support services*	16,105	5,076	26,559	9,892
Cost of inventory recognised as an expense	881	6,477	881	9,725
Depreciation of property, plant and equipment	1,019	470	1,492	908
Depreciation of right-of-use assets	1,243	1,341	2,293	2,064
Amortisation of intangible assets	800	800	1,600	1,333
Allowance for/(reversal of) expected credit losses	133	102	325	(143)
Provision for/(reversal of) onerous contracts#	–	758	–	905
Loss on disposal of property, plant and equipment	–	–	52	–
Foreign exchange differences, net	(62)	66	(171)	56
Premium charges on a life insurance policy	40	40	80	80
Lease payments under short-term leases	689	247	1,437	453
Retirement fund scheme contributions	667	473	1,346	973
Directors' fee, salaries, allowances and other benefits in kind				
– Directors of the Company	670	1,308	1,458	2,160
– Other staff	18,675	11,637	38,100	25,496

* Included in the above costs are subcontracting costs amounting to HK\$38,599,000 (three months ended 30 June 2021: HK\$12,532,000) and HK\$58,936,000 (six months ended 30 June 2021: HK\$30,062,000) for the three months and six months ended 30 June 2022, respectively.

** Non-audit services represent the AUP services provided relating to interim results for the six months ended 30 June 2021.

Included in cost of sales.

7. COMPENSATION OF KEY MANAGEMENT PERSONNEL AND DIRECTORS' REMUNERATION

Certain Directors received remuneration from a subsidiary comprising the Group for their appointment as directors of this subsidiary. Compensation of key management personnel of the Company during the period was as follows:

	Three months ended 30 June		Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Directors' fee	63	75	126	139
Short-term employee benefits	581	1,033	1,306	2,021
Post-employment benefits	13	17	26	35
Total compensation paid to key management personnel	657	1,125	1,458	2,195

8. INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current tax	–	5	–	161
Deferred tax	(128)	32	(128)	73
	(128)	37	(128)	234

Hong Kong profits tax 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 for both periods. Overseas taxation is calculated at tax rates applicable to jurisdictions in which the Group operates. Pursuant to the rules and regulations of the Cayman Islands, the Company was not subject to any taxation under the jurisdictions of the Cayman Islands during the relevant periods.

9. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (30 June 2021: HK\$nil).

10. LOSS PER SHARE

	Three months ended 30 June		Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Loss for the period attributable to the owners of the Company	(3,800)	(8,951)	(13,644)	(9,361)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousands)	963,900	891,429	963,900	845,967
Effect of dilutive ordinary shares arising from convertible bonds (in thousands)	–	68,571	–	86,630
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share (in thousands)	963,900	960,000	963,900	932,597

For the three months ended 30 June 2022 and six months ended 30 June 2022, the convertible bonds had an anti-dilutive effect to the basic loss per share calculation. Therefore, the conversion of the potential dilutive share is not assumed in the computation of diluted loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with cost of approximately HK\$286,000 (six months ended 30 June 2021: HK\$9,979,000) and written off of property, plant and equipment with net book value is HK\$52,000 (six months ended 30 June 2021: HK\$nil). No property, plant and equipment were disposed during the six months ended 30 June 2022 and 2021.

12. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, the Group leased right-of-use assets for a new office and director's quarter of approximately HK\$6,181,000 (six months ended 30 June 2021: HK\$18,563,000).

13. INTANGIBLE ASSET

During the six months ended 30 June 2022, no intangible assets were acquired by the Group (six months ended 30 June 2021: HK\$48,000,000).

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Trade receivables	45,443	47,989
Unbilled receivables	21,731	26,969
Deposits	1,722	2,453
Prepayments	5,022	6,558
Prepayment for a life insurance policy	160	160
Other receivables	1,400	1,009
	75,478	85,138
Analysed as:		
Non-current portion	733	747
Current portion	74,745	84,391
	75,478	85,138
	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Trade receivables, gross	45,769	48,347
Less: Allowance for expected credit losses	(326)	(358)
	45,443	47,989

The following is an aging analysis of trade receivables from third parties presented based on the invoice date and net of expected credit losses at the end of the reporting period, is as follows:

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
0–30 days	17,603	23,301
31–90 days	12,979	15,575
91–180 days	4,138	4,776
Over 180 days	10,723	4,337
	45,443	47,989

The above trade receivables are net of any allowance for expected credit losses. Expected credit losses are estimated by using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and information available to the Group at the reporting date about the current conditions and forecast of future economic conditions.

15. TRADE AND OTHER PAYABLES

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Trade payables	27,495	39,033
Accrued purchases and service costs	26,372	23,032
Other payables and accruals	12,869	6,279
	66,736	68,344

The following is an aging analysis of trade payables presented based on invoice date:

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
0–30 days	14,468	25,770
31–60 days	5,889	5,993
61–90 days	727	951
Over 90 days	6,411	6,319
	27,495	39,033

16. SHARE CAPITAL

	Number of ordinary shares of the Company	Share capital HK\$'000
Authorised ordinary shares of HK\$0.01 each At 30 June 2022 and 31 December 2021	10,000,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.01 each At 30 June 2022 and 31 December 2021	963,900,000	9,639

17. RELATED PARTY TRANSACTIONS

- (a) No transactions with related parties were made for the six months ended 30 June 2022 and 30 June 2021.
- (b) Details of compensation of key management personnel of the Group are included in Note 7 to the financial statements.

18. BANK BORROWINGS

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Secured bank borrowings including due for repayment after one year which contain a repayment in demand clause	6,976	11,717

The Group's interest-bearing bank borrowings are secured by the deed of assignment over life insurance policy purchased for the Company's director 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 23 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 six months ended 30 June 2022 ("Interim 2022"), the Group recorded a loss of approximately HK\$14.8 million as compared to the net loss of approximately HK\$10.0 million for the six months ended 30 June 2021 ("Interim 2021"). The increase in loss for the interim period was mainly attributed to (i) the increase in selling and administrative and general expenses by approximately HK\$7.9 million mainly represented by the increase in salaries expenses due to the increase in number of sales and general staff and (ii) decrease in other income, other gains or losses by approximately HK\$0.6 million mainly represented by the decrease in compensation rebate; but partially offset by (iii) increase in gross profit by approximately HK\$4.3 million mainly represented by the increase in gross profit in provision of IT development solutions services.

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 43.0% of the total revenue for Interim 2022. The revenue from this segment increased by approximately 28.2% from approximately HK\$47.4 million for Interim 2021 to approximately HK\$60.8 million for Interim 2022. The increase was primarily due to the increase in the total number of projects awarded in Interim 2022.

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 Interim 2022 amounted to approximately HK\$47.3 million, representing approximately 33.5% of the total revenue for Interim 2022. The revenue derived from this segment increased by approximately 22.8% from approximately HK\$38.5 million for Interim 2021 to approximately HK\$47.3 million for Interim 2022. The increase was primarily due to a considerably increase in the total number of projects awarded with an increase in total contract value of IT infrastructure solutions services projects in Interim 2022.

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\$32.3 million, representing approximately 22.9% of the total revenue for Interim 2022. The revenue derived from this segment increased by approximately 100.0% from approximately HK\$16.2 million for Interim 2021 to approximately HK\$32.3 million for Interim 2022. The significant increase in revenue from this segment was primarily due to (i) the increase in number of projects; (ii) the significant increase in total project value; and (iii) the significant increase in average amount of revenue recognised per project.

Entertainment products

This segment operates an e-commerce business which includes trading of entertainment products. The revenue generated from this segment amounted to approximately HK\$0.9 million, representing approximately 0.6% of the total revenue for Interim 2022. The revenue derived from this segment decreased by approximately 91.4% from approximately HK\$10.3 million for Interim 2021 to approximately HK\$0.9 million for Interim 2022. The substantial decrease in revenue was because (i) both the total number of orders and quantities sold reduced; and (ii) the average order value decreased in trading of entertainment products.

PROSPECTS AND OUTLOOK

For Interim 2022, the Group's increase in loss when comparing to the same period in 2021 reflects that the outbreak of COVID-19 pandemic (the "COVID-19") is still adversely affect the Group's business and its overall short-term performance. The unexpected outbreak of the 5th wave of COVID-19 in the first half of 2022 has brought unprecedented impact to the economy and the Group's business has been disrupted. To control the spread of the COVID-19 pandemic, the Hong Kong Government and the PRC Government have implemented and continues to implement a series of precautionary measures such as lockdowns, quarantines, travel restrictions, business shutdowns and vaccination requirements. As a result, our financial results has been adversely affected. The ongoing situation of the COVID-19 pandemic continued to affect our operations and business in Hong Kong and Shanghai, including but not limited to (i) temporary closure of offices and most of the staff worked from home; (ii) delays of projects or slowdown of progress by the customers due to their closure of offices and change in their deployment; and (iii) facing challenges in the negotiation of new projects and securing new business due to the uncertainty in the development of the COVID-19 pandemic.



The Group implemented certain precautionary measures to maintain a hygienic working environment include sanitising our workplace regularly and requiring our staff and partners to wear face masks in workplaces. Apart having business contingency plans in place by the Group, the Group will continue to closely monitor our business and operations in connection with the potential impacts of the COVID-19 outbreak. The Group will continue to evaluate its business strategies and structure continuously to face various risks and uncertainties arising from COVID-19 interruptions and the global challenging environment. Our group will continue to implement strict cost control and enhance our competitiveness by enhancing existing segments. The Group will continue to focus on ensuring that all ongoing projects and services are secured and keeping close contact with our customers and business partners, we will continue to focus on our customers' requirements, providing them with the right products and IT infrastructure and development solutions services.

Looking forward, the Group will continue to devote efforts in seeking for new potential business opportunities and continue to enhance its competitiveness within the ever-changing industry and economy so as to generate profit growth for the Group. In particular, the Group is still optimistic about the prospects of its IT infrastructure and development solutions services. The Group will improve its responsiveness to the latest market trends, strengthen its position in the current market and continue its business expansion plan. 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, with a view to achieve sustainable growth in order to generate the best possible results and maximise returns for our shareholders in the medium to long term.

FINANCIAL REVIEW

Revenue

The Group's revenue for Interim 2022 amounted to approximately HK\$141.3 million, representing an increase of approximately HK\$28.9 million or 25.7% compared to Interim 2021 (2021: approximately HK\$112.4 million). The increase was attributable to: (i) the increase in the revenue generated from provision of IT infrastructure solutions services by approximately HK\$8.8 million; (ii) the increase in the revenue generated from provision of IT development solutions services by approximately HK\$13.4 million; and (iii) the increase in provision of IT maintenance and support services by approximately HK\$16.1 million but was offset by the decrease in entertainment products by approximately HK\$9.4 million.

Gross profit and gross profit margin

The gross profit of the Group increased by approximately 22.4% from approximately HK\$19.3 million for Interim 2021 to approximately HK\$23.6 million for Interim 2022 as the increase was solely attributable to the substantial increase in gross profit of IT development solutions services. The gross profit margin of the Group decreased from approximately 17.2% for Interim 2021 to approximately 16.7% for Interim 2022. The decrease was mainly attributable to the decrease in gross profit margin of IT infrastructure solutions services projects and IT maintenance and support services associated with comparatively higher cost of sales and some relatively low margin projects during Interim 2022.

Selling expenses

For Interim 2022, the Group's selling expenses amounted to approximately HK\$7.6 million, representing the increase of approximately HK\$2.1 million or 37.0% as compared to Interim 2021 of approximately HK\$5.6 million. Such increase was mainly attributed to (i) the increase in staff cost for sales by approximately HK\$0.7 million due to increase in number of sales staff; (ii) the increase in selling and pre-sales cost by approximately HK\$0.9 million; and (iii) the increase in selling advertising of approximately HK\$0.5 million.

Administrative and general expenses

The Group's administrative expenses for Interim 2022 amounted to approximately HK\$30.1 million, representing increase of approximately HK\$5.8 million or 24.1% as compared to Interim 2021 (2021: approximately HK\$24.3 million). Such increase was mainly attributed by (i) the increase in depreciation and amortisation by approximately HK\$1.1 million; (ii) the increase in staff cost by approximately HK\$4.3 million due to the increase in number of general staff; and (iii) increase in rental expenses by approximately HK\$0.7 million.

Loss for the period

The Group recorded a loss of approximately HK\$14.8 million for Interim 2022, as compared to a loss of approximately HK\$10 million for Interim 2021. The increase in loss for the interim period was mainly attributed to the net effect of: (i) the increase in selling and administrative and general expenses by approximately HK\$7.9 million mainly represented by the increase in salaries expenses due to the increase in number of sales and general staff and (ii) decrease in other income, other gains or losses by approximately HK\$0.6 million mainly represented by the decrease in compensation rebate; but partially offset by (iii) increase in gross profit by approximately HK\$4.3 million mainly represented by the increase in gross profit in provision of IT development solutions services.

Liquidity and financial resources

The Group financed its operations primarily through cash generated from its operating activities. As at 30 June 2022, the Group had cash and cash equivalents of approximately HK\$27.4 million (31 December 2021: approximately HK\$30.0 million), which were cash at banks and in hand. As at 30 June 2022, the Group has bank borrowings of approximately HK\$7.0 million (31 December 2021: HK\$11.7 million). The Group has a credit facility from the Bank of East Asia of HK\$10.0 million as at 30 June 2022 (31 December 2021: HK\$25.0 million), which are secured by a deed of assignment over life insurance policy purchased for the Company's director 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 30.2% as at 30 June 2022 (31 December 2021: 28.0%). 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 the listing of the shares of the Company (the "Shares") on GEM of the Stock Exchange on 16 July 2018. Going forward, the Group intends to use its capital for its operations and the expansion plans as stated in the prospectus dated 30 June 2018 (the "Prospectus").

Capital structure

As at 30 June 2022, the capital structure of the Company comprised issued share capital and reserves and bank borrowings.



SIGNIFICANT INVESTMENTS

During Interim 2022, 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 Interim 2022, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had a total of 172 employees (30 June 2021: 136). Total staff costs (including directors' emoluments) were approximately HK\$39.6 million for Interim 2022, as compared to approximately HK\$29.0 million for Interim 2021.

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 six months ended 30 June 2022 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 2022	Granted during the Interim 2022	Exercised during the Interim 2022	Lapsed during the Interim 2022	Cancelled during the Interim 2022	Outstanding as at 30 June 2022
Executive Directors									
Mr. Yu Larry	16 August 2021	16 August 2021 – 15 August 2031	0.152	960,000	-	-	-	-	960,000
Mr. Law Cheung Moon	20 August 2021	20 August 2021 – 19 August 2031	0.154	715,000	-	-	-	-	715,000
Mr. Leung Patrick Cheong Yu	20 August 2021	20 August 2021 – 19 August 2031	0.154	715,000	-	-	-	-	715,000
Chief Executive									
Mr. Lam Tai Wai David	16 August 2021	16 August 2021 – 15 August 2031	0.152	9,600,000	-	-	-	-	9,600,000
Other Employees									
Other Employees	16 August 2021	16 August 2021 – 15 August 2031	0.152	23,940,000	-	-	-	-	23,940,000
Other Employees	20 August 2021	20 August 2021 – 19 August 2031	0.154	30,570,000	-	-	-	-	30,570,000
				66,500,000	-	-	-	-	66,500,000

The maximum number of shares of the Company available for issuance upon exercise of all share options under the Share Option Scheme is 66,500,000, representing approximately 6.9% of the issued shares of the Company as at the date of the 2021 Annual Report. As at the date of the 2021 Annual Report, the available share options under the mandate limit of the Share Option Scheme is Nil.

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



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 30 June 2022.

CHARGES ON GROUP ASSETS

As at 30 June 2022, except for the banking facilities which are secured by a deed of assignment over life insurance policy purchased for the Company's director 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 2021: 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 Interim 2022, the Group's exposure to foreign currency risk primarily arose from certain financial instruments including trade receivables, cash and cash equivalents, trade payables and bank borrowings which are denominated in US\$ and EUR. During Interim 2022 and Interim 2021, 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 Interim 2022 and Interim 2021.

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

During Interim 2022, 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 30 June 2022, 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

Directors/ Chief Executive	Nature of interest	Number and class of securities⁽¹⁾	Approximate percentage of interest in the Company
Mr. Yu Larry	Interest in controlled corporations ⁽²⁾	400,360,000 ordinary shares (L)	41.54%
	Beneficial owner	960,000 ordinary shares (L) ⁽³⁾	0.10%
Mr. Law Cheung Moon	Beneficial owner	715,000 ordinary shares (L) ⁽³⁾	0.07%
		715,000 ordinary shares (L) ⁽³⁾	
Mr. Leung Patrick Cheong Yu	Beneficial owner	9,600,000 ordinary shares (L) ⁽³⁾	1.00%
Mr. Lam Tai Wai David	Beneficial owner	9,600,000 ordinary shares (L) ⁽³⁾	1.00%

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 41.54% 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.

The interests of the directors and chief executive in the share options of the Company are separately disclosed under the heading “Share Option Scheme” above.

Associated Corporation – Vigorous King Limited

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

Save as disclosed above, as at 30 June 2022, 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 30 June 2022 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 ⁽¹⁾	Approximate percentage of interest in the Company
Vigorous King Limited ⁽²⁾	Beneficial owner	400,360,000 ordinary shares (L)	41.54%
Ms. Tong Po Ki Vicky ⁽³⁾	Interest of spouse	401,320,000 ordinary shares (L)	41.64%
Ms. Yiu Wai Ki	Beneficial owner	73,400,000 ordinary shares (L)	7.65%
Mr. Leung Wan Hung ⁽⁴⁾	Interest of spouse	73,400,000 ordinary shares (L)	7.65%
Mr. Lam Sze Chun Jackson	Beneficial owner	134,350,000 ordinary shares (L)	13.99%
Goldlink Hong Kong Investment Limited ⁽⁵⁾	Beneficial owner	50,000,000 ordinary shares (L)	5.21%
Rich Trend Hong Kong Investment Limited ⁽⁶⁾	Beneficial owner	50,000,000 ordinary shares (L)	5.21%

Notes:

- (1) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in the ordinary 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 ordinary 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 ordinary 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 ordinary 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 ordinary 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 ordinary shares which Rich Trend Hong Kong Investment Limited is interested in by virtue of the SFO.

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any persons who/entities which had an interest or short position in the ordinary shares or underlying ordinary 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.

REQUIRED STANDARD FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted its code of conduct regarding the Directors’ securities transactions on terms no less exacting than the required standard of dealings concerning securities transaction by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Code of Conduct”) as its own code governing securities transactions of the Directors, and after having made specific enquiry to all of the Directors, the Directors are satisfied that the required standard set out in the Code of Conduct and its code of conduct regarding the Directors’ securities transactions have been fully complied with, throughout the accounting period covered by this report.

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 Interim 2022, 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 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 Interim 2022, 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 initial public offering was approximately HK\$34.1 million, after deducting the underwriting fees, commissions and other listing expenses. The planned amount of net proceeds from the Listing has been fully utilised as at 30 June 2022 and a summary of use of proceeds are set out in the table below:

	As set out in the Prospectus HK\$ million	Amount expected to be used up to 30 June 2022 HK\$ million	Amount actually used up to 30 June 2022 HK\$ million	Balance as at 30 June 2022 HK\$ million	Expected timeline to fully utilise the remaining net proceeds
Develop IT solutions services tailored for finance and insurance sectors	7.10	7.10	7.10	–	Fully utilised
Expand the application of ERP system in our IT development solutions services	1.17	1.17	1.17	–	Fully utilised
Maintain fund for performance bond and contract deposit	2.34	2.34	2.34	–	Fully utilised
Provision of cloud computing and IoT products	9.15	9.15	9.15	–	Fully utilised
Develop technical support centre to enhance our service quality	2.92	2.92	2.92	–	Fully utilised
Strengthen our marketing efforts	2.34	2.34	2.34	–	Fully utilised
Enhance the expertise of our professional team	1.75	1.75	1.75	–	Fully utilised
Enhance our Group's management information system	5.19	5.19	5.19	–	Fully utilised
Working capital and other general corporate purposes	2.14	2.14	2.14	–	Fully utilised
Total	34.10	34.10	34.10	–	

The Directors are of the view that there was no material change or delay in the use of the Group's net proceeds during the Interim 2022.

AUDIT COMMITTEE

The Group has established an audit committee (the "Audit Committee") on 22 June 2018 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with code provision D.3.3 of the Code has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment, reappointment and removal of external auditor, to review financial statements of the Company and make judgments in respect of financial reporting; and to oversee the effectiveness of the internal control procedures of the Group.

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 six months ended 30 June 2022 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 six months ended 30 June 2022.

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 Interim 2022.

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

Hong Kong, 12 August 2022