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KINETIX SYSTEMS HOLDINGS LIMITED

健冠控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8606)

**ANNOUNCEMENT ON MAKING PROVISIONS
FOR IMPAIRMENT OF ASSET**

This announcement is made by Kinetix Systems Holdings Limited (**the “Company”**) pursuant to Rule 17.10 (2) of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

By the approval of the board of directors (**the “Board”**) of the Company, the Company will make provisions for asset impairment in 2022. The details of the proposal are as follows:

I. OVERVIEW OF THE PROVISIONS FOR ASSET IMPAIRMENT

1. Reasons of provisions for asset impairment

The intangible asset of the Company is recognised with reference to the announcement of the Company dated 1 February 2021 in relation to Acquisition of Exclusive LED Products Agency Selling Rights (**“Selling Rights”**).

During the first half year of 2022, the People's Republic of China (the "PRC") government implemented different COVID-19 policies and restrictions including but not limited to quarantine measures and repeated district lockdowns. The COVID-19 outbreak in the cities of Shanghai since April 2022 has brought unprecedented challenges to our business operations in the PRC. Multiple rounds of massive testing and a strict lockdown of the cities of the PRC have also taken a heavy toll on the economy and supply chains and forcing many businesses to halt. The zero-COVID tolerance policy in the PRC has also slowed its economy and impacted on the Company's business activities in the PRC.

In the fourth quarter of the year 2022, PRC abandoned key parts of zero-COVID tolerance policy and the Company's business activities in the PRC has gradually resumed. The Company reached out to our LED customers and suppliers for business plans and development updates on the LED projects in relation to the Selling Rights. However, up to the date of this announcement, the Company has not received any response from our supplier. Therefore, in accordance with the Accounting Standards for Impairment of Assets, the Company performed impairment test on the intangible assets that have impairment indication by the end of 2022.

2. Particulars of provisions for asset impairment

To comply with the relevant rules in the accounting standards, the Company performed impairment test on intangible assets for the year ended 31 December 2022. The Company estimates the recoverable amount of Selling Rights based on the higher of the fair value of Selling Rights less its costs of disposal and the value in use. The Company will recognise provisions for impairment of the discrepancies between the recoverable amount and the carrying value of Selling Rights.

The estimated future cash flow of the Selling Rights is determined based on the Company's estimation of relevant data such as sales and purchases of the orders received, financial projection and future business plan, major change in the political, legal, economic or financial conditions, etc.

Considering the non-responsiveness of our LED suppliers, the Board of Directors of the Company are of the view that in order to reflect the financial position and asset value of the Company and its subsidiaries in a more objective and fair manner, the Company has made provisions of approximately HKD41.87 million for assets impairment.

3. Impact of provisions for asset impairment on the Company's financial position

The provisions for asset impairment will reduce the Company's total net profit for 2022 by approximately HKD41.87 million.

II. OPINIONS OF THE PROVISIONS FROM THE BOARD

The Company's provisions for impairment of asset were in compliance with the Accounting Standards for Impairment of Assets and its accounting policies, and reflected its assets position and operating conditions for 2022 in an objective and fair manner. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Board agreed the provisions for impairment of asset.

III. OPINIONS OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company's provisions for impairment of asset were in compliance with the Accounting Standards for Impairment of Assets and its accounting policies, and could reflect its assets position and operating results in a fair manner, and corresponding decision-making procedures had been performed for the provisions for impairment of asset. To the best of the independent non-executive Directors' knowledge, information and belief having made all reasonable enquiries, the independent non-executive Directors give their consent for the provision for impairment of assets.

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

Hong Kong, 24 March 2023

As at the date of this announcement, the Board comprises Mr. Yu Larry, Mr. Leung Patrick Cheong Yu and Mr. Law Cheung Moon as executive Directors; Ms. Chen Jie and Mr. Tang Biao as non-executive Directors; Ms. Lam Shun Ka, Dr. He Dazhi, Mr. Li Xiaoping and Mr. Tong Tsz Kwan as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the GEM’s website at www.hkgem.com for at least 7 days from the date of its publication and on the Company’s website at www.kinetix.com.hk.