



# kinetix

**Kinetix Systems Holdings Limited**

**健冠控股有限公司**

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8606

**INTERIM REPORT  
2018**

## **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 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 Pak Lun Larry  
*(Chairman and Chief Executive Officer)*

Mr. Wong Tsun Ho Ian

Mr. Law Cheung Moon

Mr. Leung Patrick Cheong Yu

Mr. Wong Chun Pan Dennis

#### **Independent Non-executive Directors**

Mr. Yeung Wai Keung

Mr. Lam Yau Hin

Mr. Cheung Wah Kit Jason

#### **COMPANY SECRETARY**

Ms. Lam Wai Yan, *HKICPA*

#### **REGISTERED OFFICE**

Estera Trust (Cayman) Limited  
P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman  
KY1-1108  
Cayman Islands

#### **HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS**

Room 2702  
Rykadan Capital Tower  
135 Hoi Bun Road  
Kwun Tong  
Kowloon  
Hong Kong

#### **AUDITOR**

Moore Stephens CPA Limited  
801–806 Silvercord, Tower 1  
30 Canton Road  
Tsimshatsui, Kowloon  
Hong Kong

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

Estera Trust (Cayman) Limited  
P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman  
KY1-1108  
Cayman Islands

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

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

#### **STOCK CODE**

Stock code on the Stock Exchange  
of Hong Kong Limited: 8606

#### **WEBSITE**

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

## FINANCIAL HIGHLIGHTS

- The Group's total revenue amounted to approximately HK\$88.8 million for the six months ended 30 June 2018, increased by approximately 25% as compared to that of the same period in 2017.
- The gross profit amounted to approximately HK\$21.3 million for the six months ended 30 June 2018, increased by approximately 37% as compared to that of the same period in 2017.
- The Group recorded a net loss of approximately HK\$3.7 million for the six months ended 30 June 2018.
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018.

## FINANCIAL RESULTS

The board of Directors (the "Board") of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018, together with the unaudited comparative figures for the corresponding period in 2017 as follows:

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Revenue</b>	5	<b>39,590</b>	27,209	<b>88,849</b>	71,070
Cost of sales		<b>(31,005)</b>	(19,455)	<b>(67,559)</b>	(55,544)
<b>Gross profit</b>		<b>8,585</b>	7,754	<b>21,290</b>	15,526
Other income	5	<b>20</b>	—*	<b>3</b>	2
Selling expenses		<b>(1,183)</b>	(606)	<b>(2,373)</b>	(1,762)
Administrative and general expenses		<b>(6,736)</b>	(5,549)	<b>(13,243)</b>	(10,063)
Listing expenses		<b>(7,801)</b>	(832)	<b>(8,399)</b>	(2,969)
Finance costs		—*	—*	—*	—*
<b>(Loss)/profit before tax</b>	6	<b>(7,115)</b>	767	<b>(2,722)</b>	734
Income tax	8	<b>(445)</b>	(358)	<b>(993)</b>	(692)
<b>(Loss)/profit for the period</b>		<b>(7,560)</b>	409	<b>(3,715)</b>	42
Other comprehensive income		—	—	—	—
<b>Total comprehensive (loss)/ income for the period attributable to the owners to the Company</b>		<b>(7,560)</b>	409	<b>(3,715)</b>	42
		<b>HK cents</b>	HK cents	<b>HK cents</b>	HK cents
(Loss)/earnings per share – Basic and diluted	10	<b>(1.26)</b>	0.07	<b>(0.62)</b>	0.01

\* Less than HK\$1,000.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	As at 30 June 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Audited) HK\$'000
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	11	1,316	372
Deposits	14	590	590
		<b>1,906</b>	<b>962</b>
<i>Current assets</i>			
Due from an immediate holding company	12	—*	—*
Contract assets	13	9,921	—
Trade and other receivables and prepayments	14	76,119	79,702
Cash and cash equivalents		31,709	34,676
		<b>117,749</b>	<b>114,378</b>
<b>Total assets</b>		<b>119,655</b>	<b>115,340</b>

		<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Audited) HK\$'000
	Notes		
<b>Equity and liabilities</b>			
<i>Capital and reserves</i>			
Share capital	17	—*	—*
Reserves		<b>40,837</b>	44,552
Equity attributable to owners of the Company		<b>40,837</b>	44,552
Non-controlling interests		—	—
<b>Total equity</b>		<b>40,837</b>	44,552
<i>Current liabilities</i>			
Contract liabilities	13	<b>9,917</b>	—
Trade and other payables and accruals	15	<b>66,154</b>	68,822
Tax payable		<b>2,747</b>	1,966
<b>Total liabilities</b>		<b>78,818</b>	70,788
<b>Total equity and liabilities</b>		<b>119,655</b>	115,340

\* Less than HK\$1,000.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to equity owners of th Company			
	Share capital HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
<b>At 1 January 2018 (audited)</b>	–*	10	44,542	44,552
Loss and total comprehensive loss for the period	–	–	(3,715)	(3,715)
<b>At 30 June 2018 (unaudited)</b>	–*	10	40,827	40,837
<b>At 1 January 2017 (audited)</b>	–*	10	44,557	44,567
Profit and total comprehensive income for the period	–	–	42	42
<b>At 30 June 2017 (unaudited)</b>	–*	10	44,599	44,609

\* Less than HK\$1,000.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Net cash (used in)/generated from operating activities	(1,826)	1,692
Net cash used in investing activities	(1,141)	(66)
Net cash used in financing activities	—*	—*
Net (decrease)/increase in cash and cash equivalents	(2,967)	1,626
Cash and cash equivalents at beginning of period	34,676	26,989
Cash and cash equivalents at end of period	31,709	28,615

\* Less than HK\$1,000.

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

For the six months ended 30 June 2018

### **1. GENERAL**

The Company was incorporated in Cayman Islands on 16 September 2016 as an exempted company with limited liability. The registered office of the Company is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108. 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 and IT maintenance and support services.

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the Group on 31 October 2016. Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" in the Prospectus. The Company's immediate and ultimate holding company is Vigorous King Limited, a company incorporated in the British Virgin Island and the ultimate controlling party is Mr. Yu Pak Lun Larry as of the date of this report.

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

The interim condensed consolidated financial statements for the six months ended 30 June 2018 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 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 2017.

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 HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that become effective for the first time for the current accounting period. Of these, the followings are relevant to the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9 “Prepayment features with negative compensation” which have been adopted at the same time as HKFRS 9.

Further details of these changes are set out in sub-sections (a) and (b) of this note.

#### (a) HKFRS 9 “Financial instruments”, including the amendments to HKFRS 9 “Prepayment features with negative compensation”

HKFRS 9 replaced HKAS 39 “Financial instruments: recognition and measurement”. HKFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

For impairment of financial assets, HKFRS 9 has adopted an expected credit loss (“ECL”) model whereas HKAS 39 adopted an incurred loss model. The ECL requires an ongoing assessment and measurement of credit risk associated with a financial asset and therefore expected credit losses are expected to be recognised earlier as compared to the incurred loss model under HKAS 39. The directors of the Company concluded that the area that the Group’s financial position and financial results may be impacted by HKFRS 9 is about recognition and measurement of expected credit losses.

Specifically, loss allowances for trade and other receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated 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 current conditions and forecast of future economic conditions.

In assessing the credit risk of a financial asset, the Group considers both quantitative and qualitative information that is reasonable and supportable that is available without undue cost or effort, including risk of default, historical and forward-looking information e.g. the general market, economic or legal environment that may have an adverse effect on the recoverability of trade debts.

Based on the specified transitional provisions set out in HKFRS 9, the directors of the Company have decided not to restate the comparative figures. Any cumulative adjustments are recognised against the opening retained profits as of 1 January 2018. The directors of the Company concluded that the loss allowance as at 1 January 2018 was insignificant.

**(b) HKFRS 15 "Revenue from contracts with customers"**

HKFRS 15 establishes a comprehensive framework for recognising and measuring revenue and some costs from contracts with customers. HKFRS 15 replaced HKAS 18 "Revenue", which covered revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction contracts" which specified the accounting for revenue and costs from construction contracts.

Based on the specified transitional provision set out in HKFRS 15, the directors of Company had decided to apply the modified retrospective approach. The directors of the Company have assessed and concluded that there was no adjustment required to be made on the Group's retained profits at 1 January 2018. Further details of the nature and effect of the changes on application of HKFRS 15 are set out below:

**(i) *Timing of revenue recognition***

Previously, revenue arising from contracts for IT solutions services was recognised using the percentage of completion, measured by reference to the proportion that contract costs incurred for work performed to date compared to the estimated total budgeted contracts costs, adjusted for the effects of costs incurred that do not reflect the work performed by the Group. However, where the contracts for IT solutions do not require the Group to carry out installation, testing and integration works, revenue is recognised upon transfer of the significant risks and rewards of ownership of the IT solutions to the customers. Revenue from IT maintenance and support services was recognised over time when the services were rendered.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over a period of time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; and
- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then, under HKFRS 15, the entity recognises revenue at a single point in time, being when control of that good or service has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from IT solutions and IT maintenance and support services. Based on the management's assessment, revenue arising from contracts for IT infrastructure solutions and IT development solutions which involved just sales of hardwares/software are recognised at a point in time. Revenue arising from IT infrastructure solutions and IT development solutions which also involved provision of installation, testing and integration works which the management assessed and concluded that there are significant integration activities, are recognised over time. Revenue arising from IT maintenance and support services is recognised over time. Also, in respect of transactions where the related consideration is concluded to be recognised as revenue over time, the Group has determined that an input method is an appropriate method to measure the Group's progress towards complete satisfaction of a performance obligation satisfied over time, which is based on costs incurred compared to total budgeted costs when applying HKFRS 15.

**(ii) Presentation of contract assets and liabilities**

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration to the Group, before the Group satisfies the related performance obligation. For a single contract with the customer, either a contract asset or a contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, certain contract balances that showed contracts in progress at the end of the reporting period that reflected the aggregate amount of costs incurred and recognised profits (less recognised losses) to date, the amount of advances received and the amount of retentions were presented in the Group's statement of financial position as "amounts due from/to customers for contract work" as appropriate and were included in "trade and other receivables and prepayments" and "trade and other payables and accruals" respectively. These balances are presented under HKFRS 15 as "contract assets" and "contract liabilities" respectively.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

- a. "Amounts due from customers for contract work" amounting to HK\$7,505,000, which were previously included in trade and other receivables and prepayments are now included under contract assets; and
- b. "Amounts due to customers for contract work" and "receipt in advance" amounting to HK\$936,000 and HK\$2,640,000 respectively, which were previously included in trade and other payables and accruals are now included under contract liabilities.

	At 31 December 2017	Impact on initial application of HKFRS 15 (Note 3(b))	At 1 January 2018
	(Audited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	372	–	372
Deposits	590	–	590
	962	–	962
<i>Current assets</i>			
Due from an immediate holding company	–*	–	–*
Contract assets	–	7,505	7,505
Trade and other receivables and prepayments	79,702	(7,505)	72,197
Cash and cash equivalents	34,676	–	34,676
	114,378	–	114,378
<b>Total assets</b>	115,340	–	115,340
<b>Equity and liabilities</b>			
<i>Capital and reserves</i>			
Share capital	–*	–	–*
Reserves	44,552	–	44,552
Equity attributable to owners of the Company	44,552	–	44,552
Non-controlling interests	–	–	–
<b>Total equity</b>	44,552	–	44,552
<i>Current liabilities</i>			
Contract liabilities	–	3,576	3,576
Trade and other payables and accruals	68,822	(3,576)	65,246
Tax payable	1,966	–	1,966
<b>Total liabilities</b>	70,788	–	70,788
<b>Total equity and liabilities</b>	115,340	–	115,340

\* Less than HK\$1,000.



#### 4. SEGMENT INFORMATION

The chief operating decision makers are identified as the executive directors of the Company. The Group has identified its operating segment based on the regular internal financial information reported to the Company's 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 and IT maintenance and support services.

##### 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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Hong Kong	39,587	26,087	88,066	69,211
Macau	3	1,122	783	1,859
	<b>39,590</b>	27,209	<b>88,849</b>	71,070

##### 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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Customer A	4,326	*	*	*
Customer B	4,373	*	*	*
Customer C	*	4,379	*	*
Customer D	*	*	*	7,974

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

## 5. REVENUE AND OTHER INCOME

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

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Revenue</b>				
IT solutions services				
– IT infrastructure solutions services income	<b>21,884</b>	15,044	<b>51,215</b>	46,848
– IT development solutions services income	<b>10,895</b>	8,871	<b>23,359</b>	17,851
IT maintenance and support services				
– IT maintenance and support services income	<b>6,811</b>	3,294	<b>14,275</b>	6,371
Total income	<b>39,590</b>	27,209	<b>88,849</b>	71,070

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 5(a).

**(a) 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 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 2018			
	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	Total (Unaudited) HK\$'000
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	21,539	1,219	–	22,758
Over time	345	9,676	6,811	16,832
<b>Revenue from external customers</b>	<b>21,884</b>	<b>10,895</b>	<b>6,811</b>	<b>39,590</b>

	For the three months ended 30 June 2017			
	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	Total (Unaudited) HK\$'000
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	11,330	193	–	11,523
Over time	3,714	8,678	3,294	15,686
<b>Revenue from external customers</b>	<b>15,044</b>	<b>8,871</b>	<b>3,294</b>	<b>27,209</b>

**For the six months ended 30 June 2018**  
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	Total (Unaudited) HK\$'000
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	48,448	1,818	-	50,266
Over time	2,767	21,541	14,275	38,583
<b>Revenue from external customers</b>	<b>51,215</b>	<b>23,359</b>	<b>14,275</b>	<b>88,849</b>

**For the six months ended 30 June 2017**  
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	Total (Unaudited) HK\$'000
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	41,378	2,798	-	44,176
Over time	5,470	15,053	6,371	26,894
<b>Revenue from external customers</b>	<b>46,848</b>	<b>17,851</b>	<b>6,371</b>	<b>71,070</b>

**Other income**

The balance mainly represents foreign exchange differences, net and bank interest income for the three months and six months ended 30 June 2017 and 30 June 2018.

## 6. (LOSS)/PROFIT BEFORE TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Auditor's remuneration:				
current period provision	58	–	58	–
prior year underprovision	–	–	15	–
Cost of hardware and software recognised as expenses	18,580	8,334	39,968	38,801
Cost of IT solutions services*	6,417	7,711	17,958	13,490
Cost of IT maintenance and support services*	6,008	1,672	9,633	3,253
Depreciation of property, plant and equipment	64	50	120	109
Loss on write-off of property, plant and equipment (Note 11)	2	–	52	–
Foreign exchange differences, net	(18)	–*	1	–*
Minimum lease payments under operating leases				
– Office premises	456	371	1,105	700
– Director's quarter	135	65	270	150
Provision for foreseeable losses on contract#	–	1,738	–	–
Provision for expected credit loss on trade receivables (Note 14)	330	–	330	–
Retirement fund scheme contributions (included in staff costs below)	318	286	627	593
Employee benefit expense (excluding compensation of key management personnel (Note 7))				
– Wages and salaries (including retirement fund contributions)	8,270	6,516	15,504	13,064

\* Included in the above costs are subcontracting costs amounting to HK\$6,190,000, HK\$8,863,000, HK\$9,929,000 and HK\$21,262,000 for the three months and six months ended 30 June 2017 and 30 June 2018, respectively.

# 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	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term employee benefits	1,515	1,410	2,940	2,806
Post-employment benefits	32	32	63	63
Total compensation paid to key management personnel	1,547	1,442	3,003	2,869

## 8. INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax – Hong Kong profits tax	445	358	993	692

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the relevant periods. Overseas taxation is calculated at tax rates applicable to jurisdictions in which the Group operates. Pursuant to the rules and regulations of Cayman Islands, the Company was not subject to any taxation under the jurisdictions of 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 2018 (30 June 2017: nil).

## 10. (LOSS)/EARNINGS PER SHARE

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
(Loss)/profit and total comprehensive (loss)/income for the period attributable to the owners of the Company	<b>(7,560)</b>	409	<b>(3,715)</b>	42
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (in thousand)	<b>600,000</b>	600,000	<b>600,000</b>	600,000

The number of ordinary shares for the purpose of calculating basic (loss)/earnings per share has been determined on the assumption that the Capitalisation Issue disclosed in the Prospectus had been effective on 1 January 2017.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the three months and six months ended 30 June 2017 and 30 June 2018 respectively as the Group had no potentially dilutive ordinary shares in issue for the relevant periods ended. The basic (loss)/earnings per share equals to the diluted (loss)/earnings per share.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with cost of approximately HK\$1,141,000 (six months ended 30 June 2017: HK\$66,000). Items of property, plant and equipment with cost of approximately HK\$278,000 (six months ended 30 June 2017: HK\$234,000) were written off during the six months ended 30 June 2018, resulting in loss of approximately HK\$52,000 (six months ended 30 June 2017: nil).

## 12. DUE FROM AN IMMEDIATE HOLDING COMPANY

The amount due from an immediate holding company is non-trade in nature, unsecured, interest-free and are repayable on demand.

## 13. CONTRACT ASSETS/LIABILITIES

Contract assets or contract liabilities involving IT infrastructure solutions, IT development solutions and IT maintenance and support service income. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Contract liability is recognised when a customer pays consideration, before the Group satisfies the related performance obligation.

## 14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	<b>As at 31 December 2017 (Audited) HK\$'000</b>
Trade receivables	<b>29,521</b>	22,553
Unbilled receivables	<b>32,282</b>	41,776
Amounts due from customers for contract work (note)	–	7,505
Deposits	<b>4,832</b>	4,040
Prepayments	<b>5,970</b>	3,094
Payment in advance	<b>4,104</b>	1,324
	<b>76,709</b>	80,292
Analysed as:		
Non-current portion	<b>590</b>	590
Current portion	<b>76,119</b>	79,702
	<b>76,709</b>	80,292

Note: Upon the adoption of HKFRS 15, unbilled receivables and amounts due from customers for contract work are included in contract assets (see Notes 3(b) and 13).



	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Audited) HK\$'000
Trade receivables, gross	<b>29,851</b>	22,553
Less: Provision for expected credit loss	<b>(330)</b>	–
	<b>29,521</b>	22,553

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

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Audited) HK\$'000
0–30 days	<b>8,366</b>	20,327
31–90 days	<b>11,849</b>	1,797
91–180 days	<b>9,230</b>	368
Over 180 days	<b>76</b>	61
	<b>29,521</b>	22,553

The above trade receivables are net of any allowance for expected credit losses. Expected credit loss is 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. The movement in the allowance for provision for expected credit loss during each reporting period is as follows:

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Audited) HK\$'000
At beginning of the period/year	–	–
Expected credit loss recognised	<b>330</b>	–
At end of the period/year	<b>330</b>	–

At 30 June 2018, the directors of the Company had determined a provision for expected credit loss of trade receivables amounted to approximately HK\$330,000 (31 December 2017: nil) and concluded that the credit loss allowance on contract assets and unbilled receivables is insignificant.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

## 15. TRADE AND OTHER PAYABLES AND ACCRUALS

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Audited) HK\$'000
Trade payables	<b>26,618</b>	15,028
Accrued purchases and service costs	<b>29,552</b>	49,162
Amounts due to customers for contract work ( <i>note</i> )	–	936
Other payables and accruals	<b>9,984</b>	1,056
Receipt in advance ( <i>note</i> )	–	2,640
	<b>66,154</b>	68,822

*Note:* As a result of adoption of HKFRS 15, amounts due to customers for contract work and receipt in advance are included in contract liabilities (see Notes 3(b) and 13).

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

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Audited) HK\$'000
0–30 days	<b>6,285</b>	11,688
31–60 days	<b>5,601</b>	2,954
61–90 days	<b>1,251</b>	67
Over 90 days	<b>13,481</b>	319
	<b>26,618</b>	15,028

## 16. CONTINGENT LIABILITIES

As at 31 December 2017 and 30 June 2018, the margin deposits of the Group amounted to HK\$820,000 (audited) and HK\$986,000 (unaudited), respectively. These were pledged to banks to secure the banks to provide guarantee to the Group in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance guarantee have been given, such customers may demand the bank to pay them the sum or sum stipulated in such demand. The margin deposits will be forfeited or deducted to compensate the bank accordingly. The margin deposits will be released upon completion of the contract works.

## 17. SHARE CAPITAL

	Number of ordinary shares of the Company	Share capital HK\$'000
Authorised ordinary shares of HK\$0.01 each: At 1 January 2017, 31 December 2017 and 1 January 2018	38,000,000	380
Increase on 22 June 2018 ( <i>note</i> )	9,962,000,000	99,620
At 30 June 2018	10,000,000,000	100,000
	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	As at 31 December 2017 (Audited) HK\$'000
Issued and fully paid: 100 ordinary shares	_*	_*

\* Less than HK\$1,000.

*Note:* On 22 June 2018, the shareholder resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$100,000,000 by creation of an additional 9,962,000,000 shares, each ranking *pari passu* with the shares then in issue in all respects.

## 18. OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, the Group had minimum outstanding commitments under non-cancellable operating leases in respect of office premises and director's quarter as follows:

	<b>As at 30 June 2018 (Unaudited) HK\$'000</b>	<b>As at 31 December 2017 (Audited) HK\$'000</b>
Within one year	<b>2,353</b>	2,549
In the second and fifth years, inclusive	<b>4,668</b>	5,799
	<b>7,021</b>	8,348

## 19. RELATED PARTY TRANSACTIONS

- (a) No transactions with related parties were made for the three months and six months ended 30 June 2017 and 30 June 2018, respectively.
- (b) Details of compensation of key management personnel of the Group are included in Note 7 to the unaudited interim condensed consolidated financial statements.

## 20. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 30 June 2018:

- (a) On 16 July 2018, pursuant to the written resolutions of the shareholders of the Company, the directors were authorised to capitalise an amount of HK\$5,999,999 from the amount standing to the credit of the share premium amount of the Company to pay up in full at par 599,999,900 shares for allotment and issue to the persons whose name appear on the register of members of the Company on the date of the written resolutions (or as they may direct) on a pro rata basis.
- (b) On 16 July 2018, the shares of the Company were listed on GEM of the Stock Exchange and 200,000,000 shares were issued by the Company at the offer price of HK\$0.3 per share. The net proceeds from the above issue amounted to approximately HK\$36.2 million as stated in the Prospectus. No adjustments have been made to the unaudited interim condensed consolidated financial statements as a result of the listing.

## **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 19 years of experience in the IT consulting services industry in Hong Kong. Our principal businesses include IT infrastructure solutions services, IT development solutions services and IT maintenance and support services.

The shares of the Company (the “Shares”) were listed on the Stock Exchange on 16 July 2018 (the “Listing Date”).

## **BUSINESS REVIEW AND OUTLOOK**

For the six months ended 30 June 2018 (“Interim 2018”), the Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$3.7 million as compared to the profit attributable to equity shareholders of the Company of approximately HK\$42,000 for the six months ended 30 June 2017 (“Interim 2017”). The decrease in profit was mainly attributable to the increase in listing expenses by HK\$5.4 million incurred during Interim 2018.

### **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. The revenue generated from this segment accounted for approximately 58% of the total revenue for Interim 2018. The revenue from this segment increased by approximately 9% from approximately HK\$46.8 million for Interim 2017 to approximately HK\$51.2 million for Interim 2018, the increase was primarily due to the increase in total number of IT infrastructure solutions services undertaken in Interim 2018.

### **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 in Interim 2018 amounted to approximately HK\$23.4 million, representing approximately 26% of the total revenue for Interim 2018. The revenue derived from this segment increased by approximately 31% from approximately HK\$17.9 million for Interim 2017 to approximately HK\$23.4 million for Interim 2018. The increase was primarily due to the increase in total numbers and average project size of IT development solutions projects undertaken in Interim 2018.

### **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\$14.3 million, representing approximately 16% of the total revenue for Interim 2018. The revenue derived from this segment increased by approximately 123% from approximately HK\$6.4 million for Interim 2017 to approximately HK\$14.3 million for Interim 2018, the significant increase in revenue from this segment was primarily due to the increase in average amount of revenue recognised per project during Interim 2018.

### **PROSPECTS AND OUTLOOK**

The Group anticipates that the overall business environment remains challenging mainly as a result of strong competition in the IT consulting services industry in Hong Kong. We consider that such business environmental prospects and outlook may cast uncertainty from the Group's competitors for the IT infrastructure solutions services, the IT development solutions services and the IT maintenance and support services in Hong Kong, and in turn may exert pressure on our pricing terms and hence on our profit margin and profitability. In view of the aforesaid competitive business environment, the Group will be cautious in managing the business risk; prepare to respond to the change in such business environment, and aim to strategically develop the Group's business to mitigate the said impacts. The Group will continue to focus on its core businesses and provide innovative and integrated IT consulting services to customers, to enable its corporate and institution customers to extract maximum value from their IT engagements.

### **FINANCIAL REVIEW**

#### **Revenue**

The Group's revenue for Interim 2018 amounted to approximately HK\$88.8 million, representing an increase of approximately HK\$17.7 million or 25% compared to Interim 2017 (2017: approximately HK\$71.1 million). The increase was attributable to the increase in revenue generated from provision of (i) IT infrastructure solutions services by approximately HK\$4.4 million; (ii) IT development solutions services by approximately HK\$5.5 million; and (iii) IT maintenance and support services by approximately HK\$7.9 million.

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

The gross profit of the Group increased by approximately 37% from approximately HK\$15.5 million for Interim 2017 to approximately HK\$21.3 million for Interim 2018 as the increase in the gross profit was in line with the increase in the revenue. The gross profit margin of the Group slightly increased from approximately 21.8% for Interim 2017 to approximately 24.0% for Interim 2018 as the slight increase was mainly attributable to the loss making IT infrastructure project with gross loss recognised of HK\$2.1 million in the first quarter of 2017.

### **Selling expenses**

For Interim 2018, the Group's selling expenses amounted to approximately HK\$2.4 million, representing the increase of approximately HK\$0.6 million or 33% as compared to Interim 2017 of approximately HK\$1.8 million. Such increase was mainly attributed by the increase in average staff headcount in sales department and the increase in average staff salaries due to more senior staff recruited for Interim 2018.

### **Administrative and general expenses**

The Group's administrative expenses for Interim 2018 amounted to approximately HK\$13.2 million, representing an increase of approximately HK\$3.1 million or 31% as compared to Interim 2017 (2017: approximately HK\$10.1 million). Such increase was mainly due to (i) the increase in staff cost by HK\$2.3 million as a result of the increase in average staff salaries due to more senior staff recruited and discretionary bonus of approximately HK\$1.4 million distributed because of performance enhancement for the first five months of 2018; and (ii) the increase in rental expense by HK\$0.4 million as the Group moved to a new office in Kwun Tong during Interim 2018.

### **Loss and total comprehensive loss for the period**

The Group decreased profit by approximately HK\$3.7 million for Interim 2018, as compared to profit of approximately HK\$42,000 for Interim 2017. The decrease was mainly attributable to net effect of (i) the increase in revenue by approximately HK\$17.7 million; (ii) the increase in selling expenses by approximately HK\$0.6 million; (iii) the increase in administrative and general expenses by approximately HK\$3.1 million; and (iv) the increase in listing expenses by approximately HK\$5.4 million.

### **Liquidity and financial resources**

We financed our operations primarily through cash generated from our operating activities. During Interim 2018, we did not have any bank borrowings. As at 30 June 2018, we had cash and cash equivalents of approximately HK\$31.7 million (31 December 2017: approximately HK\$34.7 million), which were cash at banks and in hand. The Group did not have any credit facilities from banks as at 31 December 2017 and 30 June 2018, respectively. The Group's gearing ratio, which is calculated by total debt (defined as bank and other debts incurred not in the ordinary course of business) divided by total equity, was nil as at 30 June 2018 (31 December 2017: nil). We expect that our liquidity position would further be strengthened by using the cash generated from our operating activities and fund raising as a result of that the Shares were listed on the Stock Exchange on 16 July 2018. Going forward, we intend to use our capital for our operations and the expansion plans as stated in the Prospectus.



### **Capital structure**

As at 30 June 2018, the capital structure of the Company comprised issued share capital and reserves.

### **Commitments**

Our contract commitments involve leases of our office premises and director's quarter. As at 30 June 2018, the Group's operating lease commitments were approximately HK\$7.0 million (31 December 2017: approximately HK\$8.3 million).

### **SIGNIFICANT INVESTMENTS**

During Interim 2018, the Group did not hold any significant investment in equity interest in any other company.

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

Save as disclosed in the Prospectus, during Interim 2018, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2018, the Group had a total of 83 employees (30 June 2017: 85). Total staff costs (including directors' emoluments) were approximately HK\$18,507,000 for Interim 2018, as compared to approximately HK\$15,933,000 for Interim 2017.

Remuneration policy of the Group is reviewed regularly, making reference to legal framework, market condition and performance of the Group and individual staff (including directors of the Company). 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. No options have been granted, exercised or cancelled, or agreed to be granted, under the Share Option Scheme from the date of its adoption to 30 June 2018 and up to the date of this report.

### **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 2018.

### **CHARGES ON GROUP ASSETS**

As at 30 June 2018, there is no charge on assets of the Group (31 December 2017: nil).

### **CONTINGENT LIABILITIES**

As at 30 June 2018, the Group had no other contingent liabilities except for Note 16 to the Interim Condensed Consolidated Financial Statements as disclosed above.

### **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 with most of the transactions denominated and settled in HK\$. During Interim 2018, 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\$. During Interim 2018 and Interim 2017, 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 2018 and Interim 2017.

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

Throughout the period from the Listing Date and up to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### **AUDIT COMMITTEE**

The Company established its audit committee on 22 June 2018 which comprises three independent non-executive Directors, namely Mr. Lam Yau Hin, Mr. Yeung Wai Keung and Mr. Cheung Wah Kit Jason. Mr. Lam Yau Hin is the chairman of the audit committee. The audit committee has also adopted written terms of reference which clearly set out its duties and obligations for ensuring compliance with the relevant regulatory requirements.

The audit committee has reviewed with the management the 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 Interim 2018 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 disclosures have been made.

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

The Shares were not listed during the period from 30 June 2018 to 15 July 2018. The Shares were listed on the Stock Exchange on 16 July 2018. As at the date of this report, 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	Nature of interest	Number and class of securities <sup>(1)</sup>	Approximate percentage of interest in the Company
Mr. Yu Pak Lun Larry	Interest in controlled corporation <sup>(2)</sup>	600,000,000 Shares (L)	75%

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 75% by Vigorous King Limited, which in turn is held as to 100% by Mr. Yu Pak Lun Larry.

## Associated Corporation – Vigorous King Limited

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

Save as disclosed above, as at the date of this report, 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 the date of this report, so far as the directors are aware, the following person/entity (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	600,000,000 Shares (L)	75%
Ms. Tong Po Ki Vicky <sup>(3)</sup>	Interest of Spouse	600,000,000 Shares (L)	75%

*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 Pak Lun Larry. Therefore, Mr. Yu Pak Lun Larry 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 Pak Lun Larry. Therefore, Ms. Tong is deemed to be interested in the Shares which Mr. Yu Pak Lun Larry is interested in by virtue of the SFO.

Save as disclosed above, as at the date of this report, the directors were not aware of any persons who/entities which had an interest or short position in the shares or underlying shares of the Company, 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**

Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the "CG Code") provision A.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 Pak Lun Larry is the chairman and the chief executive officer of the Company. In view of Mr. Yu Pak Lun 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 Pak Lun Larry taking up both roles for effective management and business development. Therefore the directors of the Company consider that the deviation from the Corporate Governance Code provision A.2.1 is appropriate in such circumstance.

Save for the deviation from code provision A.2.1 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 Interim 2018, the directors of the Company were not aware of any business or interest of the directors of the Company, 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.

## **INTERESTS OF COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Cinda International Capital Limited (“Cinda”) to be its compliance adviser. As at 30 June 2018, as notified by Cinda, save for the compliance adviser agreement entered into between the Company and Cinda dated 21 February 2018, neither Cinda nor any of its directors, employees or close associates had any interest in the securities of the Company.

## **USE OF PROCEEDS**

The net proceeds of the Group raised from the initial public offering was approximately HK\$36.2 million, after deducting the underwriting fees, commissions and other listing expenses. None of the net proceeds has been utilised as at the date of this report and they are placed in licensed banks in Hong Kong. Net proceeds will be used according to the manner as set out in the section headed “Statement of Business Objectives and Use of Proceeds” in the Prospectus.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the required standard of dealings (the “Required Standard of Dealings”) as contained in Rules 5.48 to 5.67 of the GEM Listing Rules as its required standard for directors’ dealing in the securities of the Company. Following a specific enquiry made by the Company on each of the directors, each director of the Company has confirmed that he/she had complied with the Required Standard of Dealings throughout the period from the Listing Date and up to the date of this report.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The Group’s financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties. All the risks relating to the Group’s business have been set out in the section headed “Risk Factors” in the Prospectus.

### **IMPORTANT EVENTS AFTER THE REPORTING PERIOD**

- (a) On the Listing Date, pursuant to the written resolutions of the shareholders of the Company, the directors were authorised to capitalise an amount of HK\$5,999,999 from the amount standing to the credit of the share premium amount of the Company to pay up in full at par 599,999,900 shares for allotment and issue to the persons whose name appear on the register of members of the Company on the date of the written resolutions (or as they may direct) on a pro rata basis.
- (b) On the Listing Date, the shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited and 200,000,000 shares were issued by the Company at the offer price of HK\$0.3 per share. The net proceeds from the above issue amounted to approximately HK\$36.2 million as stated in the Prospectus.

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

Hong Kong, 14 August 2018