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kinetix

KINETIX SYSTEMS HOLDINGS LIMITED

健冠控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8606)

2024 INTERIM RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of Kinetix Systems Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2024. This announcement, containing the full text of the 2024 interim report of the Group, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of interim results.

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

Hong Kong, 23 August 2024

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. Lam Shun Ka, 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 Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its publication and on the Company’s website at www.kinetix.com.hk.

The logo for Kinetix, with the word "kinetix" in a lowercase, sans-serif font. The "ki" is in orange and "netix" is in grey. The background features a complex network of white lines, dots, and geometric shapes (triangles, hexagons, pentagons) on a golden-yellow gradient.

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2024

Interim Report

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

Independent Non-executive Directors

Ms. Lam Shun Ka
(formerly known as Lam Yuk Shan)
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
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\$181.2 million for the six months ended 30 June 2024, increased by approximately 31.3% as compared to that of the same period in 2023.
- The gross profit amounted to approximately HK\$34.8 million for the six months ended 30 June 2024, increased by approximately 18.3% as compared to that of the same period in 2023.
- The Group recorded a net loss of approximately HK\$0.6 million for the six months ended 30 June 2024, as compared to a net loss of approximately HK\$5.9 million for the six months ended 30 June 2023.
- The board of Directors (the “Board”) resolved not to recommend the payment of interim dividend for the six months ended 30 June 2024.

FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The Board hereby presents the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2024, together with the unaudited comparative figures for the corresponding period in 2023 as follows:

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

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Notes			
	Revenue	181,159	137,968
	Cost of sales	(146,314)	(108,521)
	Gross profit	34,845	29,447
	Other income and gains	337	865
	Selling expenses	(7,007)	(6,204)
	Administrative and general expenses	(27,546)	(29,530)
	Allowance for expected credit losses	(1,145)	(97)
	Finance costs	(118)	(515)
	Loss before tax	(634)	(6,034)
	Income tax credit	14	108
	Loss for the period	(620)	(5,926)
	Attributable to:		
	Owners of the Company	(665)	(5,677)
	Non-controlling interests	45	(249)
	Loss for the period	(620)	(5,926)
		HK cents	HK cents
	Loss per share		
	– Basic and diluted	(0.05)	(0.39)

**Six months ended
30 June**

	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Loss for the period	(620)	(5,926)
Other comprehensive loss <i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation of foreign operations	(91)	(320)
Other comprehensive loss for the period, net of tax	(91)	(320)
Total comprehensive loss for the period	(711)	(6,246)
Attributable to:		
Owners of the Company	(756)	(5,997)
Non-controlling interests	45	(249)
	(711)	(6,246)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	11	1,768	2,343
Right-of-use assets		1,498	2,600
Trade and other receivables	12	1,407	737
Deposit and prepayment for a life insurance policy		6,643	6,654
Deferred income tax assets		5	–
		11,321	12,334
<i>Current assets</i>			
Inventories		–	3,374
Trade and other receivables	12	73,768	103,431
Contract assets		55,462	51,572
Amount due from immediate holding company		409	339
Amounts due from non-controlling shareholders		250	243
Cash and cash equivalents		45,218	30,323
		175,107	189,282
Total assets		186,428	201,616

	Notes	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Equity			
Capital and reserves			
Share capital	13	14,459	14,459
Reserves		64,519	65,279
Equity attributable to owners of the Company		78,978	79,738
Non-controlling interests		(8,302)	(8,347)
Total equity		70,676	71,391
Liabilities			
<i>Non-current liabilities</i>			
Lease liabilities		327	1,168
Deferred income tax liabilities		-	46
		327	1,214
<i>Current liabilities</i>			
Trade and other payables	14	98,461	111,093
Contract liabilities		10,570	10,649
Bank borrowings	16	823	1,375
Amounts due to non-controlling shareholders		3,698	3,647
Lease liabilities		1,820	2,229
Current income tax liabilities		53	18
		115,425	129,011
Total liabilities		115,752	130,225
Total equity and liabilities		186,428	201,616

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Share-based payment reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
1 January 2023 (audited)	9,639	90,865	10	3,364	(37)	(39,007)	64,834	(5,164)	59,670
Loss for the period	-	-	-	-	-	(5,677)	(5,677)	(249)	(5,926)
Exchange difference arising from translation of foreign operations	-	-	-	-	(320)	-	(320)	-	(320)
Total comprehensive loss for the period	-	-	-	-	(320)	(5,677)	(5,997)	(249)	(6,246)
Transactions with owners in their capacity as owners:									
Shares issued under rights issue	4,820	26,507	-	-	-	-	31,327	-	31,327
Transaction cost incurred in respect of rights issue	-	(1,424)	-	-	-	-	(1,424)	-	(1,424)
30 June 2023 (unaudited)	14,459	115,948	10	3,364	(357)	(44,684)	(88,740)	(5,413)	83,327
1 January 2024 (audited)	14,459	115,948	10	3,364	(948)	(53,095)	79,738	(8,347)	71,391
(Loss)/Profit for the period	-	-	-	-	-	(665)	(665)	45	(620)
Exchange difference arising from translation of foreign operations	-	-	-	-	(95)	-	(95)	-	(95)
Total comprehensive (loss)/income for the period	-	-	-	-	(95)	(665)	(760)	45	(715)
30 June 2024 (unaudited)	14,459	115,948	10	3,364	(1,043)	(53,760)	78,978	(8,302)	70,676

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Net cash generated from/(used in) from operating activities	17,112	(15,686)
Net cash used in investing activities	(270)	(732)
Net cash (used in)/generated from financing activities	(1,883)	24,731
Net increase in cash and cash equivalents	14,959	8,313
Cash and cash equivalents at beginning of period	30,323	25,191
Effect of foreign exchange rate changes	(64)	(259)
Cash and cash equivalents at end of period	45,218	33,245

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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, and IT maintenance and support services.

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2024 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 2023.

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 2023, 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, and IT maintenance and support services.

Geographical information

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

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Geographical markets:		
– Hong Kong	177,935	135,194
– Macau	2,691	1,710
– Singapore	453	968
– The UK	80	96
	181,159	137,968

Information about major customers

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

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Customer A	*	*
Customer B	*	*

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

5. REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS

(a) Revenue from contracts with customers

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

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Revenue		
IT solutions services		
IT infrastructure solutions services	99,076	61,767
IT development solutions services	59,270	51,421
IT maintenance and support services	22,813	24,780
	181,159	137,968

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 six months ended 30 June 2024			
	IT solutions services			Total (Unaudited) HK\$'000
	IT	IT	IT	
	infrastructure solutions services (Unaudited) HK\$'000	development solutions services (Unaudited) HK\$'000	maintenance and support services (Unaudited) HK\$'000	
Disaggregated by timing of revenue recognition				
At a point in time	77,250	-	1,982	79,232
Over time	21,826	59,270	20,831	101,927
Revenue from external customers	99,076	59,270	22,813	181,159

	For the six months ended 30 June 2023			
	IT solutions services			Total (Unaudited) HK\$'000
	IT	IT	IT	
	infrastructure solutions services (Unaudited) HK\$'000	development solutions services (Unaudited) HK\$'000	maintenance and support services (Unaudited) HK\$'000	
Disaggregated by timing of revenue recognition				
At a point in time	42,581	-	1,854	44,435
Over time	19,186	51,421	22,926	93,533
Revenue from external customers	61,767	51,421	24,780	137,968

(b) Other income and gains

The balance mainly represents bank interest income for the six months ended 30 June 2024.

For the six months ended 30 June 2023, the balance mainly represents exchange gain.

6. LOSS BEFORE TAX

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

	Six months ended	
	30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Auditor's remuneration		
– Non-audit services	–	80
Cost of hardware and software recognised as expenses	80,642	57,910
Cost of IT solutions services*	29,698	18,577
Cost of IT maintenance and support services*	17,017	17,943
Depreciation of property, plant and equipment	701	1,373
Depreciation of right-of-use assets	1,102	2,836
Allowance for expected credit losses	1,145	97
Loss on disposal of property, plant and equipment	–	1
Foreign exchange differences, net	6	(646)
Premium charges on a life insurance policy	80	80
Lease payments under short-term leases for director's quarter	253	–
Retirement fund scheme contributions	1,252	1,231
Directors' fee, salaries, allowances and other benefits in kind		
– Directors of the Company	1,708	1,320
– Other staff	25,294	24,046

* Included in the above costs are subcontracting costs amounting to HK\$46,715,000 (six months ended 30 June 2023: HK\$39,878,000) for the six months ended 30 June 2024.

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:

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Directors' fee	66	11
Short-term employee benefits	1,615	1,283
Post-employment benefits	27	26
Total compensation paid to key management personnel	1,708	1,320

8. INCOME TAX CREDIT

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Hong Kong Profits Tax		
– Current tax	(59)	–
– Over provision in prior years	22	21
Deferred income tax	51	87
	14	108

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 2024 (30 June 2023: HK\$nil).

10. LOSS PER SHARE

(a) Basic loss per share

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Loss for the period attributable to the owners of the Company	(665)	(5,677)
Weighted average number of ordinary shares in issue (in thousands)	1,445,850	1,445,850
Basic loss per share (Hong Kong cents)	(0.05)	(0.39)

(b) Diluted loss per share

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

For the year ended 30 June 2024 and 30 June 2023, diluted loss per share is the same as the basic loss per share as the exercise of potential ordinary shares in relation to the outstanding share options would have anti-dilutive effects to the basic loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment with cost of approximately HK\$193,000 (six months ended 30 June 2023: approximately HK\$532,000) and written off property, plant and equipment with net book value of approximately HK\$50,000 (six months ended 30 June 2023: HK\$nil). No property, plant and equipment were disposed during the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK\$1,000).

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Trade receivables	45,168	66,800
Unbilled receivables	9,739	19,616
Deposits	1,561	1,637
Prepayments	16,277	14,677
Prepayment for a life insurance policy	160	160
Other receivables	2,270	1,278
	75,175	104,168
Analysed as:		
Non-current portion	1,407	737
Current portion	73,768	103,431
	75,175	104,168

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Trade receivables, gross	61,248	81,375
Less: Allowance for expected credit losses	(16,080)	(14,575)
	45,168	66,800

The following is an aging analysis of trade receivables presented based on the invoice date, and net of allowance for trade receivables.

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
0–30 days	28,591	33,363
31–90 days	14,459	28,411
91–180 days	884	1,349
Over 180 days	1,234	3,677
	45,168	66,800

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.

13. SHARE CAPITAL

	Number of ordinary shares of the Company	Share capital HK\$'000
Authorised ordinary shares of HK\$0.01 each At 30 June 2024 (unaudited) and 31 December 2023 (audited)	10,000,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.01 each: At 30 June 2024 (unaudited) and 31 December 2023 (audited)	1,445,849,998	14,459

14. TRADE AND OTHER PAYABLES

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Trade payables	32,522	56,614
Accrued purchases and service costs	53,285	39,799
Amounts due to directors of subsidiaries	3,399	4,837
Other payables and accruals	9,255	9,843
	98,461	111,093

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

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
0–30 days	24,860	34,238
31–60 days	4,453	13,223
61–90 days	2,284	1,743
Over 90 days	925	7,410
	32,522	56,614

15. RELATED PARTY TRANSACTIONS

- (a) No transactions with related parties were made for the six months ended 30 June 2024 and 30 June 2023.
- (b) Details of compensation of key management personnel of the Group are included in Note 7 to the financial statements.

16. BANK BORROWINGS

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Secured bank borrowings including due for repayment after one year which contain a repayment in demand clause	823	1,375

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 25 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.

Business Review and Outlook

For the six months ended 30 June 2024 ("Interim 2024"), the Group recorded a loss of approximately HK\$0.6 million as compared to the net loss of approximately HK\$5.9 million for the six months ended 30 June 2023 ("Interim 2023"). The decrease in loss for the Interim 2024 was mainly attributed to (i) the increase in gross profit by approximately HK\$5.4 million mainly represented by the increase in gross profit in the provision of IT infrastructure solutions services by approximately HK\$3.3 million and the provision of IT development solutions services by approximately HK\$3.1 million, and (ii) the decrease in administrative and general expenses by approximately HK\$2.0 million mainly represented by the decrease in depreciation expenses, but partially offset by (iii) the increase in the allowance for expected credit losses by approximately HK\$1.0 million, and (iv) the increase in selling expenses by approximately HK\$0.8 million mainly represented by the increase in sales commission and salaries expenses of sales staff due to the increase in the number of sales staff, but mitigated by the decrease in advertisement and promotion expenses.

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 32.7% of the total revenue for Interim 2024. The revenue from this segment increased by approximately 15.3% from approximately HK\$51.4 million for Interim 2023 to approximately HK\$59.3 million for Interim 2024. The increase was primarily due to a slight increase in the total number of projects awarded in Interim 2024.

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 2024 amounted to approximately HK\$99.1 million, representing approximately 54.7% of the total revenue for Interim 2024. The revenue derived from this segment increased by approximately 60.4% from approximately HK\$61.8 million for Interim 2023 to approximately HK\$99.1 million for Interim 2024. The increase was primarily due to an increase in the total number of projects awarded with an increase in total contract value of IT infrastructure solutions services projects in Interim 2024.

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\$22.8 million, representing approximately 12.6% of the total revenue for Interim 2024. The revenue derived from this segment decreased by approximately 7.9% from approximately HK\$24.8 million for Interim 2023 to approximately HK\$22.8 million for Interim 2024. The decrease in revenue from this segment was primarily due to the late contract renewal of significant customer.

PROSPECTS AND OUTLOOK

For Interim 2024, the Group demonstrated a satisfactory recovery in the post-pandemic period and recorded a decrease in loss when comparing to Interim 2023. Looking forward to the second half of the year 2024, numerous macro-factors may still influence the Group's short-term performance, and the macroeconomic environment remains challenging due to the impact of interest rate hikes and inflation have triggered a ripple effect across our customers' consumption and repayment patterns. The Group anticipates that the market demand and fulfilment of our customers may have significant impacts and thus may affect our business performance and profitability.

Looking ahead, the Group will continue to strengthen its cost control and resources management by executing flexible strategies to face the challenges and maintain its market competitiveness. The Group will remain resilient and vigilant in managing the associated risks to maintain the sustainability of the businesses. Meanwhile, the Group will also closely monitor the business environment and leverage our industrial knowledge and experiences to maintain our core business development and competitiveness, and to explore other new potential value-added IT solution business from time to time in order to confront with the fast-changing new information technology innovation and diversify the Group's business for creating new source of revenue to the Group. The Group will regularly monitor the market situation and review our business strategies, risks and asset structure to strive for maximum return and value for our shareholders in the medium to long term.

FINANCIAL REVIEW

Revenue

The Group's revenue for Interim 2024 amounted to approximately HK\$181.2 million, representing an increase of approximately HK\$43.2 million or 31.3% compared to Interim 2023 (2023: approximately HK\$138.0 million). The increase was attributable to (i) the increase in the revenue generated from provision of IT infrastructure solutions services by approximately HK\$37.3 million; (ii) the increase in the revenue generated from provision of IT development solutions services by approximately HK\$7.9 million but was partially offset by (iii) the decrease in the revenue generated from provision of IT maintenance and support services by approximately HK\$2.0 million.

Gross profit and gross profit margin

The gross profit of the Group increased by approximately 18.3% from approximately HK\$29.4 million for Interim 2023 to approximately HK\$34.8 million for Interim 2024 as the increase was mainly attributable to the increase in gross profit of provision of IT infrastructure solutions services and provision of IT development solutions services. The gross profit margin of the Group decreased from approximately 21.3% for Interim 2023 to approximately 19.2% for Interim 2024. Such decrease was mainly attributable to the decrease in gross profit margin of provision of IT infrastructure solutions services and provision of IT maintenance and support services associated with some relatively low margin projects during Interim 2024.

Selling expenses

For Interim 2024, the Group's selling expenses amounted to approximately HK\$7.0 million, representing an increase of approximately HK\$0.8 million or 12.9% as compared to Interim 2023 of approximately HK\$6.2 million. Such increase was mainly attributed to (i) the increase in salaries expenses of sales staff by approximately HK\$0.8 million due to the increase in the number of sales staff, and (ii) the increase in sales commission by approximately HK\$0.3 million, but mitigated by (iii) the decrease in advertisement and promotion expenses by approximately HK\$0.2 million.

Administrative and general expenses

The Group's administrative and general expenses for Interim 2024 amounted to approximately HK\$27.6 million, representing a decrease of approximately HK\$2.0 million or 6.7% as compared to Interim 2023 (2023: approximately HK\$29.5 million). Such decrease was mainly attributed by (i) the decrease in depreciation expenses by approximately HK\$2.4 million; but partially offset by (ii) the increase in salaries expenses by approximately HK\$0.5 million due to the increase in the number of staff.

Loss and total comprehensive loss for the period

The Group recorded a loss of approximately HK\$0.6 million for Interim 2024, as compared to a loss of approximately HK\$5.9 million for Interim 2023. The decrease in loss for Interim 2024 was mainly attributed to the net effect of: (i) the increase in gross profit by approximately HK\$5.4 million mainly represented by the increase in gross profit in the provision of IT infrastructure solutions services by approximately HK\$3.3 million and the provision of IT development solutions services by approximately HK\$3.1 million; (ii) the decrease in administrative and general expenses by approximately HK\$2.0 million mainly represented by the decrease in depreciation expenses, but partially offset by (iii) the increase in the allowance for expected credit losses by approximately HK\$1.0 million, and (iv) the increase in selling expenses by approximately HK\$0.8 million mainly represented by the increase in sales commission and salaries expenses of sales staff due to the increase in the number of sales staff, but mitigated by the decrease in advertisement and promotion expenses.

The total comprehensive loss for Interim 2024 recorded of approximately HK\$0.7 million compared to the total comprehensive loss for Interim 2023 recorded of approximately HK\$6.2 million, which include an exchange difference arising on translation of a subsidiary in Shanghai.

Liquidity and financial resources

The Group financed its operations primarily through cash generated from its operating activities. As at 30 June 2024, the Group had cash and cash equivalents of approximately HK\$45.2 million (31 December 2023: approximately HK\$30.3 million), which were cash at banks and in hand. As at 30 June 2024, the Group has bank borrowings of approximately HK\$0.8 million (31 December 2023: approximately HK\$1.4 million). The Group has a credit facility from the Bank of East Asia of HK\$10.0 million as at 30 June 2024 (31 December 2023: HK\$10.0 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 9.4% as at 30 June 2024 (31 December 2023: 11.8%). 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 of Hong Kong Limited on 16 July 2018 ("Listing date") and the issuance of Right Shares on 9 March 2023. Going forward, the Group intends to use its capital for its operations and the expansion plans as stated in the prospectus dated 13 February 2023 (the "Prospectus").

Capital structure

As at 30 June 2024, the capital structure of the Company comprised issued share capital and reserves and bank borrowings.

SIGNIFICANT INVESTMENTS

During Interim 2024, the Group did not hold any significant investment in equity interest in any other company.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES AND JOINT VENTURES

During Interim 2024, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had a total of 166 employees (30 June 2023: 158). Total staff costs (including directors' emoluments) were approximately HK\$46.3 million for Interim 2024, as compared to approximately HK\$39.7 million for Interim 2023.

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 2024 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					
				Granted At 1 January 2024	Granted during the Interim 2024	Exercised during Interim 2024	Lapsed during the Interim 2024	Cancelled during Interim 2024	Outstanding as at 30 June 2024
Executive Directors									
Mr. Yu Larry	16 August 2021	16 August 2021 – 15 August 2031	0.152	987,826	-	-	-	-	987,826
Mr. Law Cheung Moon	20 August 2021	20 August 2021 – 19 August 2031	0.154	735,725	-	-	-	-	735,725
Mr. Leung Patrick Cheong Yu	20 August 2021	20 August 2021 – 19 August 2031	0.154	735,725	-	-	-	-	735,725
Chief Executive									
Mr. Lam Tai Wai David	16 August 2021	16 August 2021 – 15 August 2031	0.152	9,878,261	-	-	-	-	9,878,261
Other Employees									
	16 August 2021	16 August 2021 – 15 August 2031	0.152	24,633,913	-	-	-	-	24,633,913
Other Employees	20 August 2021	20 August 2021 – 19 August 2031	0.154	31,456,086	-	-	-	-	31,456,086
				68,427,536	-	-	-	-	68,427,536

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

The maximum number of shares of the Company available for issuance upon exercise of all share options under the Share Option Scheme is 68,427,536, representing approximately 4.73% of the issued shares of the Company as at 1 January 2024 and 30 June 2024. As at 1 January 2024 and 30 June 2024, the available share options under the mandate limit of the Share Option Scheme is Nil.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, there was no other plan for material investments or capital assets as at 30 June 2024.

CHARGES ON GROUP ASSETS

As at 30 June 2024, 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 2023: 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 2024, 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 RMB. During Interim 2024 and Interim 2023, 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 2024 and Interim 2023.

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

During Interim 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CONTINGENT LIABILITIES

At at 30 June 2024, the Group had no material contingent liabilities, nor was aware of any pending or potential material legal proceedings involving the Group.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2024, 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⁾	459,810,000 ordinary shares (L)	31.80%
	Beneficial owner	987,826 ordinary shares (L) ⁽³⁾	0.07%
Mr. Law Cheung Moon	Beneficial owner	735,725 ordinary shares (L) ⁽³⁾	0.05%
Mr. Leung Patrick Cheong Yu	Beneficial owner	735,725 ordinary shares (L) ⁽³⁾	0.05%
Mr. Lam Tai Wai David	Beneficial owner	9,878,261 ordinary shares (L) ⁽³⁾	0.68%

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Shares.
- (2) The Company is held as to approximately 31.80% by Vigorous King Limited, which in turn is held as to 100% by Mr. Yu Larry.
- (3) These shares are derived from the interests in share options granted by the Company pursuant to the Share Option Scheme adopted by the Company on 22 June 2018.

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 2024, 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 2024 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	459,810,000 ordinary shares (L)	31.80%
Ms. Tong Po Ki Vicky ⁽³⁾	Interest of spouse	460,797,826 ordinary shares (L)	31.87%
Ms. Yiu Wai Ki	Beneficial owner	73,400,000 ordinary shares (L)	5.08%
Mr. Leung Wan Hung ⁽⁴⁾	Interest of spouse	73,400,000 ordinary shares (L)	5.08%
Mr. Lam Sze Chun Jackson	Beneficial owner	134,350,000 ordinary shares (L)	9.29%
Goldlink Hong Kong Investment Limited ⁽⁵⁾	Beneficial owner	50,000,000 ordinary shares (L)	3.46%
Rich Trend Hong Kong Investment Limited ⁽⁶⁾	Beneficial owner	50,000,000 ordinary shares (L)	3.46%

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 2024, 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 C1 to the GEM Listing Rules and, in the opinion of the Board, the Company has complied with the CG Code for Interim 2024, save for the deviation from such code disclosed below.

The CG Code in Appendix C1 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 2024, the Directors were not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective close associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

USE OF PROCEEDS

The net proceeds of the Group raised from the Rights Issue was approximately HK\$29.9 million, after deducting the underwriting fees, commissions and other listing expenses. Up to 30 June 2024, the Group has utilised proceeds from the Rights Issue of approximately HK\$18.0 million 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 2024 HK\$ million	Amount actually used up to 30 June 2024 HK\$ million	Balance as at 30 June 2024 HK\$ million	Expected timeline to fully utilise the remaining net proceeds
Develop and cultivate the new energy vehicle industry	11.9	–	–	11.9	31 December 2024
Expand the technical and development solution services in the PRC	8.0	8.0	8.0	–	Fully utilised
Working Capital and other general corporate purposes	10.0	10.0	10.0	–	Fully utilised
Total	29.9	18.0	18.0	11.9	

Use of Proceeds

Up to 30 June 2024, the actual application of net proceeds from the Rights Issue were used according to the intentions previously disclosed in the Prospectus. However, save for the use of proceeds for expanding the technical and development solution services in the PRC and as working capital and other general corporate purposes which was in line with the timeline as disclosed in the Prospectus, there was a general delay in the timeline in the use of proceeds for the development and cultivation of the new energy vehicle industry due to the following reason:

The amount of approximately HK\$11.9 million to be applied for development and cultivation of new energy vehicle industry through potential merger and acquisition opportunities of companies principally engaged in new energy vehicle consulting, supply chain solution, technical and development solution services in the PRC was generally delayed mainly due to (i) the unfavourable external environment affected China's economy, resulting in insufficient overall new energy vehicle demand, weak consumption and investment expectations; (ii) the high inflationary and interest rate environment prevailed; (iii) the switch of promotional policies and market price fluctuations, the recovery of new energy vehicle consumption was relatively lagging; and (iv) the significant increase in market competition in the new energy vehicle industry.

The expected timeline for using the remaining proceeds is based on the best estimation of the present and future business market situations made by the Board. It is expected to fully utilise the remaining net proceeds will extend to 31 December 2024. The Group will perform adequate due diligence and negotiation on principal terms and conditions of any possible acquisition and make assessment on the transaction type as required under the GEM Listing Rules. If the possible acquisition materialises, appropriate announcement will be made as and when necessary, in accordance with the GEM Listing Rules. The management will continue to assess the Group's operation and financial performance and the plans for remaining proceeds, and cope with the changing market conditions and strive for better business performance for the Group.

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 2024 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 2024.

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 2024.

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

Hong Kong, 23 August 2024