

abcmultiactive

abc Multiactive Limited

辰罡科技有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8131)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 MAY 2017**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF
THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK
EXCHANGE”)**

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors of abc Multiactive Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited 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.

* For identification purposes only

INTERIM RESULTS

The board of directors (the “Board”) of abc Multiactive Limited (the “Company”) presents the unaudited consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the three months and six months ended 31 May 2017, together with the comparative figures.

The unaudited turnover of the Group for the three months and six months ended 31 May 2017 was HK\$3,669,000 and HK\$8,477,000 respectively (Three months and six months ended 31 May 2016: HK\$5,146,000 and HK\$9,460,000 respectively). The unaudited net loss for the three months and six months ended 31 May 2017 was HK\$1,611,000 and HK\$2,563,000 respectively (Three months and six months ended 31 May 2016: net loss of approximately HK\$1,028,000 and HK\$1,540,000 respectively). Unaudited basic loss per share for the three months and six months ended 31 May 2017 was HK\$0.67 cents and HK\$1.06 cents respectively (Three months and six months ended 31 May 2016: basic loss per share of HK\$0.43 cents and HK\$0.64 cents respectively).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 May 2017

		(Unaudited) Three months ended 31 May		(Unaudited) Six months ended 31 May	
		2017	2016	2017	2016
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	3,669	5,146	8,477	9,460
Cost of sales		(993)	(1,449)	(2,215)	(1,985)
Gross profit		2,676	3,697	6,262	7,475
Other revenue	3	—	—	—	—
Software research and development expenses		(1,444)	(1,515)	(2,969)	(2,947)
Selling and marketing expenses		(238)	(278)	(459)	(533)
Administrative expenses		(2,027)	(2,120)	(4,059)	(4,155)
Unrealised exchange gain/(loss)		88	(192)	(28)	(153)
Loss from operating activities	5	(945)	(408)	(1,253)	(313)
Finance costs	6	(666)	(620)	(1,310)	(1,227)
Loss before taxation		(1,611)	(1,028)	(2,563)	(1,540)
Income tax expense	7	—	—	—	—
Loss for the period		(1,611)	(1,028)	(2,563)	(1,540)

		(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		31 May		31 May	
		2017	2016	2017	2016
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations					
		<u>–</u>	<u>1</u>	<u>–</u>	<u>2</u>
Other comprehensive income for the period, net of tax					
		<u>–</u>	<u>1</u>	<u>–</u>	<u>2</u>
Total comprehensive loss for the period		<u>(1,611)</u>	<u>(1,027)</u>	<u>(2,563)</u>	<u>(1,538)</u>
Loss for the period attributable to owners of the Company		<u>(1,611)</u>	<u>(1,028)</u>	<u>(2,563)</u>	<u>(1,540)</u>
Total comprehensive loss for the period attributable to owners of the Company		<u>(1,611)</u>	<u>(1,027)</u>	<u>(2,563)</u>	<u>(1,538)</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share					
– Basic and diluted	9	<u>(0.67)</u>	<u>(0.43)</u>	<u>(1.06)</u>	<u>(0.64)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 May 2017 and 30 November 2016

		(Unaudited) 31 May 2017 HK\$'000	(Audited) 30 November 2016 HK\$'000
	Notes		
ASSETS			
Non-current asset			
Property, plant and equipment		<u>637</u>	<u>725</u>
Current assets			
Trade and other receivables	11	2,158	1,735
Cash and cash equivalents		456	2,098
Amounts due from customers	10	<u>444</u>	<u>516</u>
		<u>3,058</u>	<u>4,349</u>
Total assets		<u><u>3,695</u></u>	<u><u>5,074</u></u>
Capital and reserves			
Share capital		24,089	24,089
Reserves	15	<u>(80,985)</u>	<u>(78,422)</u>
Equity attributable to owners of the Company		<u>(56,896)</u>	<u>(54,333)</u>

		(Unaudited) 31 May 2017 HK\$'000	(Audited) 30 November 2016 HK\$'000
	<i>Notes</i>		
LIABILITIES			
Current liabilities			
Other payables and accruals	12	3,887	4,387
Deferred revenue		2,161	1,594
Amount due to a related company	14	225	224
Amount due to customers	10	635	851
Promissory notes and interest payables to the related companies	13	53,683	52,351
		<u>60,591</u>	<u>59,407</u>
Total liabilities		<u>60,591</u>	<u>59,407</u>
Total equity and liabilities		<u>3,695</u>	<u>5,074</u>
Net current liabilities		<u>(57,533)</u>	<u>(55,058)</u>
Total assets less current liabilities		<u>(56,896)</u>	<u>(54,333)</u>
Net liabilities		<u>(56,896)</u>	<u>(54,333)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 May 2017

	(Unaudited)	
	Six months ended	
	31 May	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(1,617)	(1,938)
Net cash used in investing activities	<u>(25)</u>	<u>(120)</u>
Net decrease in cash and cash equivalents	(1,642)	(2,058)
Cash and cash equivalents at the beginning of the period	<u>2,098</u>	<u>3,526</u>
Cash and cash equivalents at the end of the period	<u><u>456</u></u>	<u><u>1,468</u></u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u><u>456</u></u>	<u><u>1,468</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 May 2017

	Attributable to owners of the Company					
	(Unaudited) Share capital <i>HK\$'000</i>	(Unaudited) Share premium <i>HK\$'000</i>	(Unaudited) Contributed surplus <i>HK\$'000</i>	(Unaudited) Exchange reserve <i>HK\$'000</i>	(Unaudited) Accumulated losses <i>HK\$'000</i>	(Unaudited) Total equity <i>HK\$'000</i>
As at 1 December 2015	24,089	105,821	37,600	(200)	(217,339)	(50,029)
Loss for the period	–	–	–	–	(1,540)	(1,540)
Other comprehensive income for the period	–	–	–	2	–	2
As at 31 May 2016	<u>24,089</u>	<u>105,821</u>	<u>37,600</u>	<u>(198)</u>	<u>(218,879)</u>	<u>(51,567)</u>
As at 1 December 2016	24,089	105,821	37,600	(209)	(221,634)	(54,333)
Loss for the period	–	–	–	–	(2,563)	(2,563)
Other comprehensive income for the period	–	–	–	–	–	–
As at 31 May 2017	<u>24,089</u>	<u>105,821</u>	<u>37,600</u>	<u>(209)</u>	<u>(224,197)</u>	<u>(56,896)</u>

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and complied with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited financial statements also include the appropriate disclosure requirements of the Hong Kong Companies Ordinances and GEM Listing Rules. They are prepared under the historical cost convention.

The unaudited consolidated results for the six months ended 31 May 2017 have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated results are consistent with those used in the Company’s annual financial statements for the year ended 30 November 2016, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”) as disclosed in note 2 below.

2. IMPACT OF NEW HKFRSs AND HKASs

The HKICPA has issued a number of new and revised HKFRSs and HKASs which are effective for accounting periods commencing on or after 1 January 2016. The Group has adopted, for the first time for the current year’s financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

Changes in accounting policies

HKFRSs and HKASs that are effective for the three months ended 31 May 2017:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle ¹
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception ¹
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations ¹
HKFRS 14	Regulatory Deferral Accounts ¹
HKAS 1 (Amendments)	Disclosure Initiative ¹
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ¹
HKAS 27 (Amendments)	Equity Method in Separate Financial Statement ¹

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The Group has not applied the new and revised HKFRSs and HKASs, which have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs and HKASs but is not yet in a position to state whether these new and revised HKFRSs and HKASs would have a material impact on its results of operations and financial position.

3. TURNOVER AND OTHER REVENUE

The Group is principally engaged in the design and sales of computer software and provision of professional and maintenance services. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Group's turnover and other revenue for the three months and six months ended 31 May 2017 is as follow:

	(Unaudited) Three months ended 31 May		(Unaudited) Six months ended 31 May	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Sales of computer software licences, software rental and provision of related services	2,203	2,596	5,414	5,297
Provision of maintenance services	1,419	1,530	2,730	2,987
Sales of computer hardware	47	1,020	333	1,176
	<u>3,669</u>	<u>5,146</u>	<u>8,477</u>	<u>9,460</u>
Other revenue				
Interest income on bank deposits	—	—	—	—

4. SEGMENT INFORMATION

The Group was engaged in two business segments, financial solutions (“Financial Solutions”) and customer relationship management solutions (“CRM Solutions”) during the six months ended 31 May 2017 and 2016. The chief operating decision maker regularly reviews the nature of their operations and the products and services. Each of the Group’s business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

Segment revenue and results

The following is an analysis of the Group’s revenue and results by reportable segment:

	(Unaudited)					
	Six months ended 31 May					
	Financial Solutions		CRM Solutions		Total	
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>8,477</u>	<u>9,460</u>	<u>–</u>	<u>–</u>	<u>8,477</u>	<u>9,460</u>
Segment results	<u>2,834</u>	<u>3,995</u>	<u>–</u>	<u>–</u>	<u>2,834</u>	<u>3,995</u>
Other revenue					–	–
Exchange loss					(28)	(153)
Central administration costs					(4,059)	(4,155)
Finance costs					<u>(1,310)</u>	<u>(1,227)</u>
Loss before taxation					(2,563)	(1,540)
Income tax expense					<u>–</u>	<u>–</u>
Loss for the period					<u>(2,563)</u>	<u>(1,540)</u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the period (2016: Nil).

Segment results represent the profit earned by each segment without allocation of other revenue, exchange loss, central administration costs, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	(Unaudited)					
	Six months ended 31 May					
	Financial Solutions		CRM Solutions		Total	
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities						
Segment assets	3,346	4,127	20	81	3,366	4,208
Unallocated assets					329	1,041
Consolidated total assets					3,695	5,249
Segment liabilities	6,003	5,510	272	325	6,275	5,835
Unallocated liabilities					54,316	50,981
Consolidated total liabilities					60,591	56,816

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

All assets are allocated to reportable segments other than unallocated corporate assets (mainly include cash and cash equivalents that are used by the investment holding company and prepayments that are prepaid by the investment holding company).

All liabilities are allocated to reportable segments other than unallocated corporate liabilities (mainly include promissory notes and the related interest payables, other payables and accruals borne by the investment holding company).

	(Unaudited)					
	Six months ended 31 May					
	Financial Solutions		CRM Solutions		Total	
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment Information						
Depreciation on property, plant and equipment	113	44	–	–	113	44
Capital expenditure	25	120	–	–	25	120
Reversal of impairment loss on trade receivables	(12)	–	–	–	(12)	–

Geographical segments

The Group operates in one principal geographical area – Hong Kong.

The Group's revenue generated from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	(Unaudited) Revenue from external customers		(Unaudited) Non-current assets	
	Six months ended 31 May		As at 31 May	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	8,477	9,460	637	274

Information about major customers

Two (2) customers contributed 10% or more to the Group's revenue for the six months ended 31 May 2017 (2016: Three (3) customers).

5. LOSS FROM OPERATING ACTIVITIES

	(Unaudited) Three months ended 31 May		(Unaudited) Six months ended 31 May	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss from operating activities is arrived at after charging:				
Depreciation on property, plant and equipment	57	23	113	44
Operating lease payments in respect of				
– land and buildings	600	505	1,200	1,010
– plant and equipment	7	7	14	14
Staff costs (excluding directors' remuneration)				
– salaries and allowances	2,698	2,798	5,392	5,174
– retirement benefit costs	92	83	189	164
Cost of computer hardware sold	29	736	296	862
Unrealised exchange loss	–	192	28	153
and after crediting:				
Unrealised exchange gain	88	–	–	–
Reversal of impairment loss on trade receivables	–	–	12	–

6. FINANCE COSTS

	(Unaudited) Three months ended 31 May		(Unaudited) Six months ended 31 May	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on promissory notes (Note 13)				
– wholly repayable within five years	<u>666</u>	<u>620</u>	<u>1,310</u>	<u>1,227</u>

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group either had no estimated assessable profits or had estimated tax losses brought forward to set off the estimated assessable profits for the period (2016: Nil).

No provision for the People's Republic of China (the "PRC") income taxes has been made during the period as the subsidiaries operated in the PRC had no assessable profits for the period (2016: Nil).

The potential unaudited deferred tax asset of approximately HK\$10,809,000 (As at 31 May 2016: approximately HK\$11,122,000) relating to tax losses available for carry forward and other timing differences as at 31 May 2017 has not been recognized due to the unpredictability of the future profit streams.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 May 2017 (2016: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company for the three months and six months ended 31 May 2017 is based on the unaudited net loss for the period of approximately HK\$1,611,000 and HK\$2,563,000 respectively (For the three months and six months ended 31 May 2016: net loss of approximately HK\$1,028,000 and HK\$1,540,000 respectively), and on the weighted average number of 240,886,450 ordinary shares for both three months and six months ended 31 May 2017 (For the three months and six months ended 31 May 2016: 240,886,450 ordinary shares) of HK\$0.10 each in issue during the period.

Diluted loss per share

The Group has no potentially dilutive ordinary shares in issue during the three months and six months ended 31 May 2017 and 2016. Diluted loss per share for the three months and six months ended 31 May 2017 and 2016 were the same as the basic loss per share.

10. AMOUNTS DUE FROM/(TO) CUSTOMERS

	(Unaudited) 31 May 2017 HK\$'000	(Audited) 30 November 2016 HK\$'000
Amounts due from customers		
Contract costs incurred plus recognised profits less recognised losses to date	564	598
Less: Progress billings received and receivable	(120)	(82)
	<u>444</u>	<u>516</u>
	(Unaudited) 31 May 2017 HK\$'000	(Audited) 30 November 2016 HK\$'000
Amounts due to customers		
Progress billings received and receivable	1,055	973
Less: Contract costs incurred plus recognised profits less recognised losses to date	(420)	(122)
	<u>635</u>	<u>851</u>

11. TRADE AND OTHER RECEIVABLES

	(Unaudited) 31 May 2017 HK\$'000	(Audited) 30 November 2016 HK\$'000
Trade receivables	879	464
Less: impairment loss recognised in respect of trade receivables	(41)	(53)
	<u>838</u>	<u>411</u>
Trade receivables – net	1,320	1,324
Prepayment, deposits and other receivables		
	<u>2,158</u>	<u>1,735</u>

The following is an aged analysis of the trade receivables (based on invoices date), net of provision of impairment loss:

	(Unaudited) 31 May 2017 HK\$'000	(Audited) 30 November 2016 HK\$'000
Current	72	–
31 – 60 days	577	70
61 – 90 days	189	16
Over 90 days	–	325
	<u>838</u>	<u>411</u>

The Group maintains a defined credit policy to assess the credit quality of each counterparty. The collection is closely monitored to minimize any credit risk associated with these trade receivables. The Group's trading terms with its customers are mainly based on product delivery and user acceptance. The Group allows a credit period range from 0 day to 30 days to its contract customers.

The following is an aged analysis of the trade receivables which are past due but not impaired:

	(Unaudited) 31 May 2017 HK\$'000	(Audited) 30 November 2016 HK\$'000
31 – 60 days	577	70
61 – 90 days	189	16
Over 90 days	–	325
	<u>766</u>	<u>411</u>

For the past due but not impaired trade receivables, although no collateral is held, the Group has assessed the credit worthiness, past payment history and substantial settlement after the reporting date, and considers that the amounts are still recoverable and no further credit provision is required in excess of allowance for doubtful debts. The Group seeks to maintain strict control over its outstanding trade receivables. Overdue balances are reviewed regularly by the management.

12. OTHER PAYABLES AND ACCRUALS

	(Unaudited) 31 May 2017 HK\$'000	(Audited) 30 November 2016 HK\$'000
Accruals	2,153	2,072
Receipt in advance	1,070	1,597
Other payables	664	718
	<u>3,887</u>	<u>4,387</u>

13. PROMISSORY NOTES AND INTEREST PAYABLES TO THE RELATED COMPANIES

As at 31 May 2017, the promissory notes payable to the related companies are interest bearing at Hong Kong prime rate for both three months and six months ended 31 May 2017 and 2016.

The Hong Kong Dollar Denominated Promissory Notes issued to Active Investments Capital Limited ("Active Investments"), a company wholly-owned by the chief executive officer of the Company, with the aggregate amount as at 31 May 2017 of approximately HK\$38,732,000 (included principal amount of approximately HK\$26,705,000 and accrued interest of approximately HK\$12,027,000) (2016: approximately HK\$35,850,000 (included principal amount of approximately HK\$25,705,000 and accrued interest of approximately HK\$10,145,000)). The promissory notes have to be repaid on or before 30 June 2017. During the six months ended 31 May 2017, interest of approximately HK\$952,000 was charged to consolidated statement of profit or loss and other comprehensive income (Six months ended 31 May 2016: approximately HK\$886,000).

The Canadian Dollar Denominated Promissory Note issued to Active Investments with the aggregate amount as at 31 May 2017 of approximately CAD1,418,000 (approximately to HK\$8,618,000) (included principal amount of approximately CAD1,025,000 (approximately to HK\$5,938,000) and accrued interest of approximately CAD393,000 (approximately to HK\$2,680,000)) (2016: approximately CAD1,349,000 (approximately to HK\$8,374,000) (included principal amount of approximately CAD1,025,000 (approximately to HK\$6,098,000) and accrued interest of approximately CAD324,000 (approximately to HK\$2,276,000))). The promissory note has to be repaid on or before 30 June 2017. During the six months ended 31 May 2017, interest of approximately CAD35,000 (approximately to HK\$202,000) was charged to consolidated statement of profit or loss and other comprehensive income (Six months ended 31 May 2016: approximately CAD33,000 (approximately to HK\$192,000)).

At the date of this announcement, the Company has fully repaid the two promissory notes in the principal amounts of approximately CAD1,025,000 (approximately to HK\$6,183,000) and HK\$1,000,000 respectively with accrued promissory notes interests of approximately CAD399,000 (approximately to HK\$2,406,000) and HK\$53,000 respectively to Active Investments on 30 June 2017.

On 30 June 2017, a new promissory note with the principal amount of approximately HK\$37,839,000 was issued by the Company in favour of Active Investments, (“Hong Kong Dollar Denominated Promissory Note to Active Investments”) to replace the existing promissory note in the principal amounts of HK\$25,705,000 and its accrued interest of approximately HK\$12,134,000, which was immediately cancelled after issue of a new Hong Kong Dollar Denominated Promissory Note. The new Hong Kong Dollar Denominated Promissory Note to Active Investments with the aggregate amount of approximately HK\$37,839,000 was unsecured, interest bearing at Hong Kong prime rate plus 3% as quoted by the Hong Kong and Shanghai Banking Corporation Limited, and maturing on 1 March 2019.

The Hong Kong Dollar Denominated Promissory Note issued to Wickham Group Limited (“Wickham”), a company owned by a close family member of an executive director of the Company, with the aggregate amount as at 31 May 2017 of approximately HK\$6,333,000 (included principal amount of approximately HK\$4,635,000 and accrued interest of approximately HK\$1,698,000) (2016: approximately HK\$6,024,000 (included principal amount of approximately HK\$4,635,000 and accrued interest of approximately HK\$1,389,000)). The promissory note has to be repaid on or before 30 June 2017. During the six months ended 31 May 2017, interest of approximately HK\$156,000 was charged to consolidated statement of profit or loss and other comprehensive income (Six months ended 31 May 2016: approximately HK\$149,000).

On 30 June 2017, a new promissory note with the principal amount of approximately HK\$6,359,000 was issued by the Company in favour of Wickham, (“Hong Kong Dollar Denominated Promissory Note to Wickham”) to replace the existing promissory note in the principal amounts of HK\$4,635,000 and its accrued interest of approximately HK\$1,724,000, which was immediately cancelled after issue of a new Hong Kong Dollar Denominated Promissory Note. The new Hong Kong Dollar Denominated Promissory Note to Wickham with the aggregate amount of approximately HK\$6,359,000 was unsecured, interest bearing at Hong Kong prime rate plus 3% as quoted by the Hong Kong and Shanghai Banking Corporation Limited, and maturing on 1 March 2019.

The carrying amounts of the non-current borrowings are as follows:

	(Unaudited)	(Audited)
	31 May	30 November
	2017	2016
	HK\$'000	HK\$'000
Promissory notes and interest payables to the related companies	<u>53,683</u>	<u>52,351</u>

14. AMOUNT DUE TO A RELATED COMPANY

The amount mainly represents payables for purchases of software merchandise, royalty fee and expenses paid on behalf of the Group. The balance of amount due to a related company was interest-free, unsecured and repayable on demand for the six months ended 31 May 2017 and year ended 30 November 2016.

15. RESERVES

The amounts of the Group's unaudited reserves and the movements therein for the current and the same period of previous year are presented in the consolidated statement of changes in equity of the financial statements.

16. RELATED PARTIES TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the consolidated financial statement during the period, the Group had entered into the following significant related party transactions which were carried out on normal commercial terms and in the normal course of the Group's business:

	(Unaudited)	
	Six months ended 31 May	
	2017	2016
	HK\$'000	HK\$'000
Interest paid to the related companies on promissory notes payable (<i>Note 13</i>)	1,310	1,227
Consultancy fee payable to a director (<i>Note (a)</i>)	24	24

Note:

- (a) Consultancy fee was payable to Ms. Clara Hiu Ling Lam as the legal representative of the subsidiaries in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded an unaudited turnover of approximately HK\$3,669,000 for the three months ended 31 May 2017, a 29% decrease from approximately HK\$5,146,000 for the corresponding period of the previous year. Of the total unaudited turnover amount, approximately HK\$2,203,000 or 60% was generated from software license sales and professional services, approximately HK\$1,419,000 or 39% was generated from maintenance services and approximately HK\$47,000 or 1% was generated from sales of computer hardware. As at 31 May 2017, the Group had approximately HK\$3.5 million worth of contracts that were in progress. The unaudited net loss attributable to shareholders for the three months ended 31 May 2017 was approximately HK\$1,611,000 whereas the Group recorded an unaudited net loss of approximately HK\$1,028,000 for the same period of the previous year.

The Group's unaudited operating expenditures amounted to approximately HK\$3,709,000 for the three months ended 31 May 2017, a 5% decrease from approximately HK\$3,913,000 for the corresponding period of the previous year. The decreases were mainly attributed to decrease in headcounts and other cost measures.

Due to Hong Kong office relocation and additional spending on office renovation and purchase of office equipment in the second half year of 2016, the unaudited depreciation expenses increased from approximately HK\$23,000 for the same period last year to approximately HK\$57,000 in the current period.

During the current period, the Group invested approximately HK\$1,444,000 in developing new modules for its OCTO Straight Through Processing ("STP") system ("OCTOSTP").

For the three months ended 31 May 2017, the Group has no provision made for impairment of trade receivables.

Total unaudited staff costs (excluding directors' remuneration) are approximately HK\$2,790,000 for the three months ended 31 May 2017, a 3% decrease from approximately HK\$2,881,000 for the same period of the previous year. The decrease was mainly attributed to decrease in headcounts during the period.

The Group has approved the de-registration of two dormant PRC subsidiaries, abc Multiactive (Shenzhen) Limited and Maximizer Asia (Shanghai) Limited. At the date of this announcement, the application of de-registration of two PRC subsidiaries are in the process. The financial position of two PRC subsidiaries is included in the unaudited consolidated financial statements of the quarterly report which did not have significant impact to the Group's result for the six months ended 31 May 2017.

Liquidity and Financial Resources

The Group operates a conservative set of treasury policies to ensure that no unnecessary risks are taken with the Group's assets. No investments other than cash and other short-term bank deposits are currently permitted.

As at 31 May 2017, the Group's borrowings were repayable as follows:

	Other loans	
	(Unaudited)	(Audited)
	31 May	30 November
	2017	2016
	HK\$'000	HK\$'000
Within 1 year	53,908	52,575
Between 1 and 2 years	<u>—</u>	<u>—</u>
Wholly repayable within 5 years	<u>53,908</u>	<u>52,575</u>

As at 31 May 2017, the Group had outstanding of approximately CAD39,000 (approximately HK\$225,000) due to Maximizer Services Inc. ("MSI"), a related company of the Company. The amount due to MSI was mainly payables for purchases of software merchandise, royalty fee and expenses paid on behalf of the Group, which was unsecured and interest free and repayable on demand.

As at 31 May 2017, approximately HK\$4,635,000 representing a loan from Wickham, a party owned by a close family member of an executive director of the Company, which was unsecured, interest bearing at the Hong Kong prime rate and maturing on 30 June 2017.

As at 31 May 2017, loans of amount CAD1,025,000 (approximately HK\$5,938,000) and HK\$26,705,000 are loans from Active Investments, a related company wholly owned by the chief executive officer of the Company, which were unsecured, interest bearing at the Hong Kong prime rate and maturing on 30 June 2017.

The Group expresses its gearing ratio as a percentage of borrowings and long term debts over total assets. As at 31 May 2017, the Group's gearing ratio was 14.53 (2016: 9.57).

On 17 May 2017, the Group issued an announcement for the proposed to raise approximately HK\$12 million by the way of the rights issue (the “2017 Rights Issue”) involving the issue of 60,221,612 rights shares at the subscription price of HK\$0.20 per rights share on the basis of one rights share for every four shares held on the record date and board lot size of the shares for trading on the Stock Exchange will be changed from 2,000 shares to 10,000 shares with effect on 28 June 2017. The 2017 Rights Issue is being conducted to raise funds for the Company for the repayment of two promissory notes which due on 30 June 2017 and to be used as general working capital to enhance the financial position of the Group. Details of the 2017 Rights Issue have been published in the announcement of the Company dated 17 May 2017 and prospectus of the Company dated 2 June 2017 respectively.

Subsequent to the period ended 31 May 2017, the Company completed the 2017 Rights Issue of 60,221,612 ordinary shares of HK\$0.10 each at a subscription price of HK\$0.20 per share on 23 June 2017. Accordingly, the issued share capital of the Company has been increased from HK\$24,088,645 to HK\$30,110,806.20. These new shares rank pari passu in all respect with the existing shares.

On 30 June 2017, the net proceeds from the 2017 Rights Issue after deducting expenses amounted to approximately HK\$11.26 million. There was approximately HK\$9.64 million applied for repayment of the two promissory notes. The remaining of the net proceeds of approximately HK\$1.62 million was applied towards the general working capital of the Group for its operations, including but not limited to salary and allowances payment, rental payment and other administration expenses payment.

Pledge of Assets

The Group did not have any mortgage or charge over its assets as at 31 May 2017.

Exposure to Fluctuation in Exchange Rates and Related Hedges

All the Group’s assets, liabilities and transactions are denominated either in Hong Kong dollars, Renminbi or Canadian dollars. Except for the current account between the Company and its China subsidiaries which is denominated in Hong Kong dollars, it is the Group’s policy for each operating entity to borrow in local currencies where necessary in order to minimise currency risk.

As at 31 May 2017, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

Treasury Policy

Cash and bank deposits of the Group are either in Hong Kong dollars, Renminbi, and Canadian dollars. The Group conducts its core business transaction mainly in Hong Kong dollars, such that the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 May 2017.

Significant Investments

The Group has not held any significant investment for the three months ended 31 May 2017.

Major Events

On 17 May 2017, the Group issued an announcement for the proposed to raise approximately HK\$12 million by the way of the 2017 Rights Issue involving the issue of 60,221,612 rights shares at the subscription price of HK\$0.20 per rights share on the basis of one rights share for every four shares held on the record date and board lot size of the shares for trading on the Stock Exchange will be changed from 2,000 shares to 10,000 shares with effect on 28 June 2017. The 2017 Rights Issue is being conducted to raise funds for the Company for the repayment of two promissory notes which due on 30 June 2017 and to be used as general working capital to enhance the financial position of the Group.

Employee and Remuneration Policy

The directors believe that the quality of its employees is the most important factor in sustaining the Group's growth and improving its profitability. The Group's remuneration package is structured with reference to the individual performance, working experience and prevailing salary levels in the market. In addition to basic salaries and mandatory provident fund, staff benefits include medical coverage scheme. As at 31 May 2017, the Group had employed 23 staffs in Hong Kong. Total staff costs for the three months ended 31 May 2017 under review amounted to approximately HK\$2,790,000.

As at 31 May 2017, 11 employees had completed the required number of years of service under the Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment with the Group. The Group is only liable to make such payments where termination meets the required circumstances specified in the Ordinance. The estimated unaudited maximum amount of such payment is approximately HK\$501,000.

Pension Scheme

Effective from 1 December 2000, the Group joined the Mandatory Provident Fund Scheme (the "MPF Scheme") for all of its employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is registered with the Mandatory Provident Fund Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the revised rules of the MPF Scheme on 1 June 2014, the Group and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000.

The retirement benefit scheme cost charged to the consolidated statement of profit or loss and other comprehensive income represents contributions payable by the Group to the funds and is expensed as incurred. For the three months ended 31 May 2017, the unaudited retirement benefit scheme contributions borne by the Group amounted to approximately HK\$92,000 (2016: approximately HK\$83,000). No forfeited contribution for the Group is available to reduce the contribution payable in the future years. Contributions to the scheme vest immediately.

Operation Review

For the three months ended 31 May 2017, the unaudited turnover from Financial Solutions is approximately HK\$3,669,000, a decrease of 29% when compared to approximately HK\$5,146,000 for the same period last year. Of the total unaudited turnover from Financial Solutions, turnover of approximately HK\$3,437,000 represents sales of self-developed software, and the revenue generated from resales of third parties software, hardware and other products are approximately HK\$232,000. The decreases of turnover were primarily attributed to reduce in sales of computer hardware from customers and slowdown of new sales contract signed during the period.

During the period, the Group continued to enhance the features of its OCTOSTP system and worked on marketing schemes to drive sales. These marketing schemes focused on the Group's ability to help our customer generate revenue and accelerate cost saving through integration, implementation and upgrading with the Group's solutions. Furthermore, the Group continued to enhance the features of its brokerage trading solutions and focused on new modules development to assist our customers facing technological challenge in the financial industry. At the same time, the Group is also target to widen its revenue channel by sourcing different business models from other channel partners for our customers.

Prospects

The Group will continue to cautiously monitor development of the changing business environment and continue to strengthen its competitiveness in the market, the Group will further focus on its core business and technology development with product functionality improvement and expansion in the service areas the Group offer to the customers. To channel its resources to the new business development area of high growth solutions will continue to be one of the top priorities of the Group. It is the belief of the directors that the Group has a well-diversified product range, which maintains its market competitiveness and it is well equipped to face future challenges.

In 2017, the Group target to strive for a better diversified business line by seeking new business opportunities in the market. To achieve the goal, the Group will engage in seeking new business partners in providing more innovative business solutions. The Group will also continue to deliver its quality service, as well as to improve its financial solution products, for the continuous business growth of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 May 2017, the interests and short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 to 5.68 of the GEM Listing Rules were as follows:

Long positions in shares

No long positions of directors and chief executives in the shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Long positions in underlying shares

a) The Company:

All options of the Company granted were expired on 27 May 2011.

No long positions of directors and chief executives in the underlying shares of the Company were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules.

No further options can be granted under the Company's share option scheme adopted on 22 January 2001 until the new requirements of Chapter 23 of the GEM Listing Rules are complied with.

b) Associated Corporation:

No long position of directors and chief executives in the underlying shares of the Associated Corporation were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules.

Long positions in debentures

No long positions of directors and chief executives in the debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Short positions in shares

No short positions of directors and chief executives in the shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Short positions in underlying shares

No short positions of directors and chief executives in the underlying shares of the equity derivatives of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Short positions in debentures

No short positions of directors and chief executives in the debentures of the Company and its associated corporations were recorded in the register.

Save as disclosed above, as at 31 May 2017, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (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 were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 May 2017, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in shares

Name	Capacity	Nature of interest	Number of ordinary shares	Percentage of issued share capital
Maximizer International Limited	Beneficial owner	Corporate	140,992,968	58.53%
Pacific East Limited	Beneficial owner	Corporate	13,160,673	5.46%
DGM Trust Corporation (<i>Note</i>)	Trustee	Corporate	154,153,641	63.99%

Note:

DGM Trust Corporation is the trustee of The City Place Trust which owns Maximizer International Limited, which holds 58.53% interest in the Company and wholly owns Pacific East Limited, which holds 5.46% interest in the Company. The City Place Trust is a discretionary trust and its beneficiaries include certain family members of Mr. Kau Mo Hui, but does not include Mr. Joseph Chi Ho Hui or Ms. Clara Hiu Ling Lam or any of their respective spouses or minor child. Mr. Kau Mo Hui is the father of Mr. Joseph Chi Ho Hui, an executive director of the Company and Mr. Samson Chi Yang Hui, the chief executive officer of the Company. Mr. Kau Mo Hui is also the father-in-law of Ms. Clara Hiu Ling Lam, an executive director of the Company.

Long positions in underlying shares

No long positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Short positions in shares

No short positions of other persons and substantial shareholders in the shares of the Company were recorded in the register.

Short positions in underlying shares

No short positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Apart from the foregoing, no other interests required to be recorded in the register kept under Section 336 of the SFO have been notified to the Company.

AUDIT COMMITTEE

Pursuant to the GEM Listing Rules, an audit committee was established on 22 January 2001, comprising three independent non-executive directors, namely Messrs. Kwong Sang Liu, Edwin Kim Ho Wong and William Keith Jacobsen. On 28 September 2004, Mr. Kwong Sang Liu was appointed as independent non-executive director and member of audit committee of the Company. On 29 August 2008, Mr. Edwin Kim Ho Wong was appointed as independent non-executive director and member of audit committee of the Company. Mr. William Keith Jacobsen was appointed as independent non-executive director and member of audit committee of the Company on 10 July 2009. Mr. Kwong Sang Liu is the chairman of the audit committee for the year.

The written terms of reference which describe the authorities and duties of the audit committee were prepared and adopted with reference to “A Guide for the Formation of an Audit Committee” published by the Hong Kong Institute of Certified Public Accountants. The terms of reference of the audit committee should also require it to review arrangement employees of the Company can use to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action and to act as the key representative body for overseeing the Company’s relations with the external auditors. The audit committee provides an important link between the board of directors and the Company’s auditors in matters coming within the scope of the Group audit. It also reviews the financial reporting process and the adequacy and effectiveness of the Group’s internal control system.

During the six months ended 31 May 2017, the audit committee held two meetings for the purpose of reviewing the Company’s reports and financial statements, and providing advice and recommendations to the Board. The minutes of the audit committee meeting are kept by the Company Secretary.

The Group’s unaudited results for the three months ended 31 May 2017 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standard.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 31 May 2017, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

CORPORATE GOVERNANCE CODE

The Company is committed to maintain and ensure high standards of corporate governance code. Except for the deviations as explained below, none of the directors is aware of information that would reasonably indicate that the Company is not, or was not, for any part of the accounting period for the six months ended 31 May 2017, in compliance with the Corporate Governance Code (the “CG Code”) set out by the Stock Exchange in Appendix 15 to the GEM Listing Rules.

Appointments, Re-election and Removal of Director

Code provision A.4.3 of the CG Code and Report, became effective on 1 April 2012, an independent non-executive director serves more than nine (9) years, his further appointment should be subject to a separate resolution to be approved by shareholders.

Mr. Kwong Sang Liu has served as an independent non-executive director of the Company for more than 9 years. Mr. Liu has demonstrated his ability to provide an independent view to the Company’s matters. Notwithstanding his years of service as an independent non-executive director of the Company, the Board is of the view that Mr. Liu is able to continue to fulfill his role as required and thus recommends him for re-election of the annual general meeting of the Company. Further, the Company is of the view of Mr. Liu meets the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and is independent in accordance with the terms and guidelines. This deviated from the requirements of code provision A.4.3.

To comply with code provision A.4.3, Mr. Liu’s further appointment has been proposed and approved by the shareholders at the annual general meeting of the Company held on 31 March 2017, and any further appointment is subject to a separate resolution to be approved by shareholders in each year.

Mr. Edwin Kim Ho Wong will serve as an independent non-executive director of the Company for 9 years. During his years of appointment, Mr. Wong has demonstrated his ability to provide an independent view of the Company’s matters. The Board is of the view that Mr. Wong is able to continue to fulfill his roles as required and meets the independence guidelines set out in Rule 5.09 of the GEM Listing Rules. Mr. Wong is being eligible and recommended for entering into another 3 year term service contract subject to shareholders’ approval at the annual general meeting of the Company.

To comply with code provision A.4.3, Mr. Wong’s further appointment has been proposed and approved by the shareholders at the annual general meeting of the Company held on 31 March 2017, and any further appointment is subject to a separate resolution to be approved by shareholders in each year.

Financial Reporting

Code provision C.1.2 of the CG Code and Report, became effective on 1 April 2012, stipulates that management should provide all members of the Board with monthly updates giving balanced and understandable assessment of the Company's performance, position and prospects in sufficient details.

During the six months ended 31 May 2017, rather than monthly updates, the management of the Company has provided to the Board quarterly updates with quarterly consolidated financial statement of the Company's performance, position and prospects in sufficient details during the regular Board meetings of the Company. In addition, the management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient information for matters brought before the Board. The management discussion and analysis prepared by management and reviewed by the Board of the directors are included in this interim results announcement.

Internal Audit Function

Code Provision C.2.5 of the CG Code, became effective on 1 January 2016, stipulates that the Group should have an internal audit function. For the six months ended 31 May 2017, the Group does not have an internal audit function from the date of Listing since 2000. Taking into account the size, nature and complexity of the operations in the future, the Group considers that the current organization structure and management could provide adequate risk management and internal control of the Group.

The Group has established the internal control committee since 2007. The internal control committee, comprising the executive directors, independent non-executive directors and management team of the Group are responsible to review the effectiveness of the Group's internal control system. There are established control procedures to identify, assess, control and report to each of the four major types of risks consisting of business and market risk, compliance risk, financial and treasury risk and operational risk. In addition, there is regular dialogue with the Group's external auditors so that both are aware of the significant factors which may affect their respective scope of work.

A review of the effectiveness of the Group's system of internal control covering all key controls, including financial, operational and compliance and risk management controls, is conducted annually. For the year 2017, the review bases on a framework which assesses the Group's internal control system into treasury and compliance cycle against control environment, risk management and control and monitoring activities on all major business and operational processes. The examination consists of enquiry, discussion and validation through observation and inspection (if necessary). The result of the review will be reported to the Board and areas of improvement, if any, will be identified and appropriate measures will be put in place to manage the risks.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 May 2017, the Company has not redeemed any of its listed securities. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

By order of the Board
Joseph Chi Ho HUI
Chairman

As at the date of this announcement, the Board comprises the following directors:

Mr. Joseph Chi Ho HUI	<i>(Executive Director)</i>
Ms. Clara Hiu Ling LAM	<i>(Executive Director)</i>
Mr. Kwong Sang LIU	<i>(Independent Non-executive Director)</i>
Mr. Edwin Kim Ho WONG	<i>(Independent Non-executive Director)</i>
Mr. William Keith JACOBSEN	<i>(Independent Non-executive Director)</i>

Hong Kong, 14 July 2017

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the day of its posting and the website of the Company at www.hklistco.com.