

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 2018

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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 GEM 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 2018, together with the comparative figures.

The unaudited turnover of the Group for the three months and six months ended 31 May 2018 was HK\$4,936,000 and HK\$9,291,000 respectively (Three months and six months ended 31 May 2017: HK\$3,669,000 and HK\$8,477,000 respectively). The unaudited net loss for the three months and six months ended 31 May 2018 was HK\$373,000 and HK\$1,149,000 respectively (Three months and six months ended 31 May 2017: net loss of approximately HK\$1,611,000 and HK\$2,563,000 respectively). Unaudited basic loss per share for the three months and six months ended 31 May 2018 was HK\$0.12 cents and HK\$0.38 cents respectively (Three months and six months ended 31 May 2017: basic loss per share of HK\$0.60 cents and HK\$0.96 cents, restated respectively).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 May 2018

		(Unaudited) Three months ended 31 May		(Unaudited) Six months ended 31 May	
		2018	2017	2018	2017
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	4,936	3,669	9,291	8,477
Cost of sales		<u>(1,042)</u>	<u>(993)</u>	<u>(1,797)</u>	<u>(2,215)</u>
Gross profit		3,894	2,676	7,494	6,262
Software research and development expenses		(1,104)	(1,444)	(2,335)	(2,969)
Selling and marketing expenses		(229)	(238)	(446)	(459)
Administrative expenses		(1,990)	(2,027)	(4,008)	(4,059)
Unrealised exchange gain/(loss)		<u>2</u>	<u>88</u>	<u>(1)</u>	<u>(28)</u>
Profit/(loss) from operating activities	5	573	(945)	704	(1,253)
Finance costs	6	<u>(946)</u>	<u>(666)</u>	<u>(1,853)</u>	<u>(1,310)</u>
Loss before taxation		(373)	(1,611)	(1,149)	(2,563)
Income tax expense	7	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss for the period		<u>(373)</u>	<u>(1,611)</u>	<u>(1,149)</u>	<u>(2,563)</u>
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operations		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other comprehensive income for the period, net of tax		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total comprehensive loss for the period		<u><u>(373)</u></u>	<u><u>(1,611)</u></u>	<u><u>(1,149)</u></u>	<u><u>(2,563)</u></u>

		(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		31 May		31 May	
		2018	2017	2018	2017
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to owners of the Company		<u>(373)</u>	<u>(1,611)</u>	<u>(1,149)</u>	<u>(2,563)</u>
Total comprehensive loss for the period attributable to owners of the Company		<u>(373)</u>	<u>(1,611)</u>	<u>(1,149)</u>	<u>(2,563)</u>
		<i>HK cents</i>	(restated) <i>HK cents</i>	<i>HK cents</i>	(restated) <i>HK cents</i>
Loss per share					
— Basic and diluted	9	<u>(0.12)</u>	<u>(0.60)</u>	<u>(0.38)</u>	<u>(0.96)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 May 2018 and 30 November 2017

		(Unaudited) 31 May 2018 HK\$'000	(Audited) 30 November 2017 HK\$'000
	Notes		
ASSETS			
Non-current asset			
Property, plant and equipment		<u>469</u>	<u>561</u>
Current assets			
Trade and other receivables	11	<u>2,257</u>	<u>1,560</u>
Cash and cash equivalents		<u>1,942</u>	<u>1,660</u>
		<u>4,199</u>	<u>3,220</u>
Total assets		<u>4,668</u>	<u>3,781</u>
Capital and reserves			
Share capital		<u>30,111</u>	<u>30,111</u>
Reserves	15	<u>(79,962)</u>	<u>(78,813)</u>
Equity attributable to owners of the Company		<u>(49,851)</u>	<u>(48,702)</u>
LIABILITIES			
Non-current liability			
Promissory notes and interest payables to the related companies	13	<u>—</u>	<u>45,700</u>
Current liabilities			
Other payables and accruals	12	<u>4,208</u>	<u>4,799</u>
Deferred revenue		<u>2,505</u>	<u>1,733</u>
Amount due to a related company	14	<u>237</u>	<u>235</u>
Amount due to customers	10	<u>16</u>	<u>16</u>
Promissory notes and interest payables to the related companies	13	<u>47,553</u>	<u>—</u>
		<u>54,519</u>	<u>6,783</u>

	(Unaudited) 31 May 2018 HK\$'000	(Audited) 30 November 2017 HK\$'000
Total liabilities	54,519	52,483
Total equity and liabilities	4,668	3,781
Net current liabilities	(50,320)	(3,563)
Total assets less current liabilities	(49,851)	(3,002)
Net liabilities	(49,851)	(48,702)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 May 2018

	(Unaudited) Six months ended 31 May 2018 HK\$'000	2017 HK\$'000
Net cash generated from/(used in) operating activities	309	(1,617)
Net cash used in investing activities	(27)	(25)
Net increase/(decrease) in cash and cash equivalents	282	(1,642)
Cash and cash equivalents at the beginning of the period	1,660	2,098
Cash and cash equivalents at the end of the period	1,942	456
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	1,942	456

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 May 2018

	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 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>
As at 1 December 2017	30,111	111,078	37,600	(29)	(227,462)	(48,702)
Loss for the period	—	—	—	—	(1,149)	(1,149)
Other comprehensive income for the period	—	—	—	—	—	—
As at 31 May 2018	<u>30,111</u>	<u>111,078</u>	<u>37,600</u>	<u>(29)</u>	<u>(228,611)</u>	<u>(49,851)</u>

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited consolidated 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 consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinances (“CO”) and GEM Listing Rules. They are prepared under the historical cost convention.

The unaudited consolidated results for the six months ended 31 May 2018 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 2017, 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 2017. 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 2018:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014–2016 Cycle ²
HKAS 7 (Amendments)	Disclosure Initiative ¹
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses ¹

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

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

The Group is principally engaged in the design and sales of computer software licences, software rental and provision of related services; provision of maintenance services; sales of computer hardware and provision of Fintech resources services. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Group's turnover for the three months and six months ended 31 May 2018 is as follows:

	(Unaudited)		(Unaudited)	
	Three months ended 31 May		Six months ended 31 May	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Sales of computer software licences, software rental and provision of related services	2,175	2,203	4,856	5,414
Provision of maintenance services	1,572	1,419	3,020	2,730
Sales of computer hardware	800	47	803	333
Provision of Fintech resources services	389	—	612	—
	<u>4,936</u>	<u>3,669</u>	<u>9,291</u>	<u>8,477</u>

4. SEGMENT INFORMATION

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.

For the six months ended 31 May 2017, the Group had two business segments namely financial solutions ("Financial Solutions") and customer relationship management solutions ("CRM Solutions") in which there was no trading of CRM Solutions since 2015.

For the six months ended 31 May 2018, the CRM Solutions segment is not applicable and has been transformed to Fintech resources segment (“Fintech Resources”) due to the reason that the Group has stepped up to provide Fintech resources services in order to grab the business opportunity by leveraging on the knowledge and experience of the Group’s IT professionals in financial industry and the need of IT professionals in view of the rapid development of Fintech industry in recent years. The Fintech resources segment mainly includes services of IT professional secondment and Fintech professional recruitment services to the customers. The Fintech resources segment not only allows the Group to diversify and step into other services areas besides its own products and services, it also enables the Group to maximize the productivity of its existing IT professionals and create synergy effects.

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		Fintech Resources		Total	
	2018	2017	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>8,679</u>	<u>8,477</u>	<u>612</u>	<u>—</u>	<u>9,291</u>	<u>8,477</u>
Segment results	<u>4,414</u>	<u>2,834</u>	<u>299</u>	<u>—</u>	<u>4,713</u>	<u>2,834</u>
Exchange loss					(1)	(28)
Central						
administration costs					(4,008)	(4,059)
Finance costs					<u>(1,853)</u>	<u>(1,310)</u>
Loss before taxation					(1,149)	(2,563)
Income tax expense					<u>—</u>	<u>—</u>
Loss for the period					<u>(1,149)</u>	<u>(2,563)</u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the period (2017: Nil).

Segment results represent the profit earned by each segment without allocation of 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		Fintech Resources		Total	
	2018	2017	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets and liabilities						
Segment assets	4,277	3,346	62	20	4,339	3,366
Unallocated assets					329	329
Consolidated total assets					4,668	3,695
Segment liabilities	5,867	6,003	299	272	6,166	6,275
Unallocated liabilities					48,353	54,316
Consolidated total liabilities					54,519	60,591

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		Fintech Resources		Total	
	2018	2017	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other segment						
Information						
Depreciation on property, plant and equipment	118	113	—	—	118	113
Capital expenditure	27	25	—	—	27	25
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)		(Unaudited)	
	Revenue from		Non-current assets	
	external customers			
	Six months ended 31 May		As at 31 May	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	9,291	8,477	469	637

Information about major customers

Three (3) customers contributed 10% or more to the Group's revenue for the six months ended 31 May 2018 (2017: Two (2) customers).

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	(Unaudited)		(Unaudited)	
	Three months ended 31 May		Six months ended 31 May	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) from operating activities is arrived at after charging:				
Depreciation on property, plant and equipment	59	57	118	113
Operating lease payments in respect of				
— land and buildings	600	600	1,200	1,200
— plant and equipment	7	7	14	14
Staff costs (excluding directors' remuneration)				
— salaries and allowances	2,191	2,698	4,693	5,392
— retirement benefit costs	75	92	157	189
Cost of computer hardware sold	630	29	632	296
Unrealised exchange loss	<u>—</u>	<u>—</u>	<u>1</u>	<u>28</u>
and after crediting:				
Unrealised exchange gain	2	88	—	—
Reversal of impairment loss on trade receivables	<u>—</u>	<u>—</u>	<u>—</u>	<u>12</u>

6. FINANCE COSTS

	(Unaudited)		(Unaudited)	
	Three months ended 31 May		Six months ended 31 May	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on promissory notes (<i>Note 13</i>)				
—wholly repayable within five years	<u>946</u>	<u>666</u>	<u>1,853</u>	<u>1,310</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 (2017: Nil).

No provision for the People's Republic of China (the "PRC") income taxes has been made during the period as the subsidiary operated in the PRC had no assessable profits for the period (2017: Nil).

The potential unaudited deferred tax asset of approximately HK\$10,941,000 (As at 31 May 2017: approximately HK\$10,809,000) relating to tax losses available for carry forward and other timing differences as at 31 May 2018 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 2018 (2017: 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 2018 is based on the unaudited net loss for the period of approximately HK\$373,000 and HK\$1,149,000 respectively (For the three months and six months ended 31 May 2017: net loss of approximately HK\$1,611,000 and HK\$2,563,000 respectively), and the weighted average number of 301,108,062 ordinary shares for both three months and six months ended 31 May 2018 (For the three months and six months ended 31 May 2017: 267,383,960 ordinary shares, restated) in issue during the period.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the three months and six months ended 31 May 2017 has been restated and adjusted for the effect of rights issue completed during the year ended 30 November 2017.

Diluted loss per share

The Group has no potentially dilutive ordinary shares in issue during the three months and six months ended 31 May 2018 and 2017. Diluted loss per share for the three months and six months ended 31 May 2018 and 2017 were the same as the basic loss per share.

10. AMOUNTS DUE TO CUSTOMERS

	(Unaudited) 31 May 2018 HK\$'000	(Audited) 30 November 2017 HK\$'000
Amounts due to customers		
Progress billings received and receivable	100	100
Less: Contract costs incurred plus recognised profits less recognised losses to date	<u>(84)</u>	<u>(84)</u>
	<u>16</u>	<u>16</u>

11. TRADE AND OTHER RECEIVABLES

	(Unaudited) 31 May 2018 HK\$'000	(Audited) 30 November 2017 HK\$'000
Trade receivables	962	332
Less: impairment loss recognised in respect of trade receivables	<u>(16)</u>	<u>(16)</u>
Trade receivables — net	946	316
Prepayment, deposits and other receivables	<u>1,311</u>	<u>1,244</u>
	<u>2,257</u>	<u>1,560</u>

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

	(Unaudited)	(Audited)
	31 May	30 November
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	651	201
31 — 60 days	63	6
61 — 90 days	—	20
Over 90 days	232	89
	<u>946</u>	<u>316</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)	(Audited)
	31 May	30 November
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
31 — 60 days	63	6
61 — 90 days	—	20
Over 90 days	232	89
	<u>295</u>	<u>115</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 2018 HK\$'000	(Audited) 30 November 2017 HK\$'000
Accruals	2,732	2,603
Receipt in advance	852	1,485
Other payables	624	711
	<u>4,208</u>	<u>4,799</u>

13. PROMISSORY NOTES AND INTEREST PAYABLES TO THE RELATED COMPANIES

As at 31 May 2018, the two Hong Kong Dollar Denominated Promissory Notes issued to Active Investments Capital Limited (“Active Investments”), a related company wholly-owned by the chief executive officer of the Company, with the aggregate amounts of approximately HK\$47,553,000 (included principal amount of approximately HK\$44,283,000 and accrued interest of approximately HK\$3,270,000).

Active Investments has agreed that it will not demand repayment of the Hong Kong Dollars Denominated Promissory Note issued to Active Investments with aggregate amount of approximately HK\$39,125,000 (included principal amount of approximately HK\$37,839,000 and accrued interest of approximately HK\$1,286,000) within the next twelve months after 30 November 2017. The promissory note is unsecured, interest bearing at effective Hong Kong prime rate established by the Hongkong and Shanghai Banking Corporation Limited plus 3%, and maturing on 1 March 2019. During the six months ended 31 May 2018, interest of approximately HK\$1,587,000 was charged to consolidated statement of profit or loss and other comprehensive income (Six months ended 31 May 2017: approximately HK\$926,000).

On 31 August 2017, the former promissory note holder, Wickham Group Limited (“Wickham”), a company owned by a close family member of an executive director of the Company, had assigned its Hong Kong Dollar Denominated Promissory Note to Active Investments under the same terms and conditions as previous Hong Kong Dollar Denominated Promissory Note with Wickham in the aggregate amount of approximately HK\$6,444,000. Active Investments has agreed that it will not demand repayment of the Hong Kong Dollars Denominated Promissory Note issued to Active Investments with aggregate amount of approximately HK\$6,575,000 (included principal amount of approximately HK\$6,444,000 and accrued interest of approximately HK\$131,000) within the next twelve months after 30 November 2017. The promissory note is unsecured, interest bearing at effective Hong Kong prime rate established by the Hongkong and Shanghai Banking Corporation Limited plus 3%, and maturing on 1 March 2019. During the six months ended 31 May 2018, interest of approximately HK\$266,000 was charged to consolidated statement of profit or loss and other comprehensive income (Six months ended 31 May 2017: approximately HK\$156,000).

The carrying amounts of the promissory notes and interest payables are as follows:

	(Unaudited) 31 May 2018 HK\$'000	(Audited) 30 November 2017 HK\$'000
Promissory notes and interest payables to the related companies	<u>47,553</u>	<u>45,700</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 2018 and year ended 30 November 2017.

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	
	2018	2017
	HK\$'000	HK\$'000
Interest paid to the related companies on promissory notes payable (<i>Note 13</i>)	1,853	1,310
Consultancy fee payable to a director (<i>Note (a)</i>)	<u>12</u>	<u>24</u>

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\$4,936,000 for the three months ended 31 May 2018, a 35% increase from approximately HK\$3,669,000 for the corresponding period of the previous year. Of the total unaudited turnover amount, approximately HK\$2,175,000 or 44% was generated from software license sales, software rental and professional services, approximately HK\$1,572,000 or 32% was generated from maintenance services, approximately HK\$800,000 or 16% was generated from sales of computer hardware and approximately HK\$389,000 or 8% was generated from Fintech resources services. As at 31 May 2018, the Group had approximately HK\$1.9 million worth of contracts that were in progress. The unaudited net loss attributable to shareholders for the three months ended 31 May 2018 was approximately HK\$373,000 whereas the Group recorded an unaudited net loss of approximately HK\$1,611,000 for the same period of the previous year.

The Group's unaudited operating expenditures amounted to approximately HK\$3,323,000 for the three months ended 31 May 2018, a 10% decrease from approximately HK\$3,709,000 for the corresponding period of the previous year. The decreases were mainly attributed to decrease in headcounts and other cost control measures.

The unaudited depreciation expenses increased from approximately HK\$57,000 for the same period last year to approximately HK\$59,000 in the current period. The increase was mainly attributed to purchases of the office computer equipment during the period.

During the current period, the Group invested approximately HK\$1,104,000 in developing new modules for its OCTO Straight Through Processing (“STP”) system (“OCTOSTP”).

For the three months ended 31 May 2018, the Group has no provision made for impairment of trade receivables.

Total unaudited staff costs (excluding directors’ remuneration) are approximately HK\$2,266,000 for the three months ended 31 May 2018, a 19% decrease from approximately HK\$2,790,000 for the same period of the previous year. The decrease was mainly attributed to decrease in headcounts during the period.

At the date of this announcement, the application of de-registration of Maximizer Asia (Shanghai) Limited, the Group’s PRC subsidiary, is in the process. The financial position of this subsidiary is included in the unaudited consolidated financial statements which did not have significant impact to the Group’s results for the three months ended 31 May 2018.

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 2018 and 30 November 2017, the promissory notes and interest payables to the related companies and amount due to a related company were repayable as follows:

	(Unaudited) 31 May 2018 HK\$’000	(Audited) 30 November 2017 HK\$’000
Within 1 year	47,790	235
Between 1 and 2 years	—	45,700
Wholly repayable within 5 years	<u>47,790</u>	<u>45,935</u>

As at 31 May 2018, the Group had outstanding of approximately CAD39,000 (approximately HK\$237,000) 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, interest free and repayable on demand.

As at 31 May 2018, loans in principal amount of approximately HK\$37,839,000 and approximately HK\$6,444,000 are loans from Active Investments Capital Limited (“Active Investments”), a related company wholly owned by the chief executive officer of the Company, which were unsecured, interest bearing at effective Hong Kong prime rate established by the Hongkong and Shanghai Banking Corporation Limited plus 3%, and maturing on 1 March 2019.

The Group expresses its gearing ratio as a percentage of borrowings and long term debts over total assets. As at 31 May 2018, the Group’s gearing ratio was 10.19 (2017: 14.53).

Pledge of Assets

The Group did not have any mortgage or charge over its assets as at 31 May 2018.

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 2018, 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 2018.

Significant Investments

The Group has not held any significant investment for the three months ended 31 May 2018.

Major Events

As at 31 May 2018, the Group had no material capital commitments and no future plans for material investments or capital assets.

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 2018, the Group had employed 17 staffs in Hong Kong (2017: 23 staffs in Hong Kong). Total staff costs for the three months ended 31 May 2018 under review amounted to approximately HK\$2,266,000.

As at 31 May 2018, 10 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\$458,000.

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 2018, the unaudited retirement benefit scheme contributions borne by the Group amounted to approximately HK\$75,000 (2017: approximately HK\$92,000). 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 2018, the unaudited turnover from Financial Solutions and Fintech Resources is approximately HK\$4,936,000, an increase of 35% when compared to approximately HK\$3,669,000 for the same period last year. Of the total unaudited turnover, turnover of approximately HK\$3,709,000 represents sales of self-developed software, turnover of approximately HK\$389,000 was generated from Fintech resources services and revenue generated from resales of third parties' software, hardware and other products are approximately HK\$838,000. The increases of turnover were mainly attributed to increase in sales of computer hardware to a customer at a total price of HK\$800,000 and provision of Fintech resources services.

The Group continues to strengthen its existing core business by improving its OCTOSTP through technical research and development in order to assist its customers facing technological challenge in the financial industry. The Group also targets to improve its turnover by sourcing and expanding its product varieties and widening its customer base. In view of the increasing demand of IT professionals in financial industry, the Group's subsidiary Maximizer Asia Limited has changed its company name to abc Fintech Recruiters Limited ("abc Fintech") with effect on 5 December 2017. abc Fintech changed its role to a Fintech resources service agent with providing IT professionals secondment and recruitment services for its customers. The Group grabs the opportunity to offer Fintech resources services to its customers for their business needs with our quality and cost effective services.

Prospects

The Group will continue to cautiously monitor the business environment and continue to strength the competitiveness in the markets, the Group will further focus on our core business and technology development with product functionality improvement and expansion in the service areas we offer to the customers. Recent year the Exchange has launched Shanghai and Hong Kong Stock Connect and Shenzhen and Hong Kong Stock Connect, also implemented several system upgrades to its trading platform including Orion Central Gateway ("OCG"), Orion Market Data Platform ("OMD") and OTP-C upgrades. We believe our product and services are technologically competitive and our business shall be benefited from the aggressive technology enhancement by the Exchange and increased number of new market participant in the Hong Kong brokerage industry.

To channel the Group's resources to development of the existing business segments to achieve high growth will continue to be one of the top priorities of the Group for 2018. The Group will place more resources in providing and improving advanced financial solutions or services to fulfil the Group's customer needs and market demand as well as expanding its customer base. Besides, based on the Group's experience on sourcing computer hardware and existing relationship with its customers, the Group believes that it is capable to extend its customer base to other departments of the brokerage houses and banks as well as explore its hardware sales team to approach other financial or non-financial corporations in Hong Kong. It is the belief of the directors of the Company that the Group has a well-diversified product and service range, which maintains its market competitiveness and it is well equipped to face future challenges.

To further extend of the Group's business, by leveraging on the knowledge and experience of the Group's IT professionals in financial industry and the need of IT professionals in view of the rapid development of e-financial in recent years, the Group has engaged in provision of Fintech resources service by providing experienced and knowledgeable Fintech professionals by secondment and recruitment services to our customers. This new services not only diversified our business line but also provided a more comprehensive services to customers to cover a wider range of Fintech products customization or consultancy services beyond our OCTOSTP financial solutions.

The Group also 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 potential partners actively to cooperate in providing more innovative business solutions. The Group will also continue to deliver our quality service, as well as to improve financial solutions products, for the continuous business growth of the Group. The directors of the Company believe that the Group has solidified its foundation by refining its operations during the Year. This more efficient infrastructure will point the Group above its competition and towards a long-term profitable business model.

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

As at 31 May 2018, 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 “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 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 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 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 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 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 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 2018, 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 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 Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 May 2018, 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	177,793,941	59.05%
Pacific East Limited	Beneficial owner	Corporate	16,450,838	5.46%
DGM Trust Corporation (<i>Note</i>)	Trustee	Corporate	194,244,779	64.51%

Note:

DGM Trust Corporation is the trustee of The City Place Trust which owns Maximizer International Limited, which holds 59.05% 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. William Keith Jacobsen 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 2018, 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 of directors. 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 2018 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 2018, 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 2018, in compliance with the Corporate Governance Code (the “CG Code”) set out by the 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 and Mr. Edwin Kim Ho Wong have served as independent non-executive directors of the Company for more than 9 years. Mr. Liu and Mr. Wong have demonstrated their abilities to provide an independent view to the Company’s matters. Notwithstanding their years of service as independent non-executive directors of the Company, the Board is of the view that Mr. Liu and Mr. Wong are able to continue to fulfill their roles as required and thus recommends them for re-election at the annual general meeting of the Company. Further, the Company is of the view that Mr. Liu and Mr. Wong meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are 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 and Mr. Wong’s further appointment have been proposed and approved by the shareholders at the annual general meeting of the Company held on 23 March 2018, and are subject to a separate resolution to be approved by shareholders in each year.

Mr. William Keith Jacobsen will serve as an independent non-executive director of the Company for 9 years. His 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 2018, rather than provide 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 2018, 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 controls 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 2018, the review bases on a framework which assesses the Group's internal control system into payment 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 2018, 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, 6 July 2018

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.