

abcmultiactive
abc Multiactive Limited
辰罡科技有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 8131)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 31 AUGUST 2020**

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

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*This announcement, for which the directors of abc Multiactive Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquires, 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

RESULTS

The board of directors (the “Board”) of abc Multiactive Limited (the “Company”) presents the unaudited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 31 August 2020, together with the comparative figures.

		(Unaudited) Three months ended 31 August		(Unaudited) Nine months ended 31 August	
		2020	2019	2020	2019
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	4,021	3,006	8,664	14,168
Cost of sales		(1,729)	(894)	(2,583)	(7,138)
Gross profit		2,292	2,112	6,081	7,030
Software research and development and operating expenses		(789)	(599)	(2,066)	(2,213)
Selling and marketing expenses		(344)	(119)	(911)	(726)
Administrative expenses		(1,294)	(2,612)	(5,772)	(6,653)
Unrealised exchange loss		(11)	(4)	(1)	–
Loss from operating activities	4	(146)	(1,222)	(2,669)	(2,562)
Finance costs	5	(1,080)	(594)	(3,020)	(1,769)
Loss before taxation		(1,226)	(1,816)	(5,689)	(4,331)
Income tax credit	6	116	82	346	244
Loss for the period		(1,110)	(1,734)	(5,343)	(4,087)

		(Unaudited) Three months ended 31 August 2020 2019		(Unaudited) Nine months ended 31 August 2020 2019	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Other comprehensive income for the period, net of tax		—	—	—	—
Total comprehensive loss for the period		(1,110)	(1,734)	(5,343)	(4,087)
Loss for the period attributable to owners of the Company		(1,110)	(1,734)	(5,343)	(4,087)
Total comprehensive loss for the period attributable to owners of the Company		(1,110)	(1,734)	(5,343)	(4,087)
		HK cents	HK cents	HK cents	HK cents
Loss per share					
– Basic and diluted	7	(0.37)	(0.58)	(1.77)	(1.36)

NOTES:

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 and GEM Listing Rules. They are prepared under the historical cost convention.

The unaudited consolidated results for the nine months ended 31 August 2020 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 2019, 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 ON 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 2019. 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 nine months ended 31 August 2020:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
HKFRS 16	Leases ¹
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures ¹
HK(IFRIC) Int 23	Uncertainty over Income Tax Treatment ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

Except as described below, the application of all other new and amendments to HKFRSs and HKASs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited consolidated financial statements.

HKFRS 16 Leases

The Group has adopted HKFRS 16 Leases for the first time in the current period from 1 December 2019. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations. The Group has adopted HKFRS 16 using the simplified transition approach and has not restated comparatives for the year prior to first adoption as permitted under the specific transition provisions in the standard.

Before the adoption of HKFRS 16, commitments under operating leases for future period were not recognised by the Group as liabilities. Operating lease payments were recognised as expenses in the consolidated statement of profit or loss and other comprehensive income over the lease period on a straight-line basis.

At adoption of HKFRS 16, the Group recognised lease liabilities and right-of-use assets in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 December 2019, with the relevant interest charged to consolidated statement of profit or loss and other comprehensive income over the lease period. The right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the adoption of the HKFRS 16. The right-of-use assets were depreciated over the lease period on a straight-line basis.

As a result of the adoption of HKFRS 16, as of 1 December 2019, the Group recognised a right-of-use asset of approximately HK\$86,000, and a lease liability of approximately HK\$86,000 respectively.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for certain operating leases with a remaining lease term of less than 12 months as of 1 December 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- The use of hindsight in determining the lease term when the contract contains option to extend or terminate the lease.

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 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 and provision of overseas mortgage loan consultancy services. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Group's turnover for the three months and nine months ended 31 August 2020 is as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 August		31 August	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Disaggregation of revenue from contracts with customers				
Sales of computer software licences, software rental and provision of related services	1,879	1,306	3,590	4,379
Provision of maintenance services	1,124	1,052	3,437	3,220
Sales of computer hardware	649	511	802	5,834
Provision of Fintech resources services	270	137	688	735
Provision of overseas mortgage loan consultancy services	99	–	147	–
Revenue from contracts with customers	4,021	3,006	8,664	14,168
Timing of revenue recognition				
A point in time	748	511	949	5,834
Over time	3,273	2,495	7,715	8,334
Revenue from contracts with customers	4,021	3,006	8,664	14,168

4. LOSS FROM OPERATING ACTIVITIES

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 August		31 August	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss from operating activities is arrived at after charging/(crediting):				
Depreciation on property, plant and equipment	28	54	140	172
Depreciation on right-of-use assets	550	–	563	–
Operating lease payments in respect of				
– land and buildings	–	645	1,290	1,935
– plant and equipment	–	7	–	21
Directors' remuneration	15	15	45	45
Staff costs (excluding directors' remuneration)				
– salaries and allowances	2,232	1,761	6,065	5,559
– retirement benefit costs	81	71	239	238
Cost of computer hardware sold	639	509	743	5,735
Unrealised exchange loss	11	4	1	–
Impairment loss on trade receivables	–	200	–	200
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. FINANCE COSTS

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 August		31 August	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Imputed interest expenses on promissory note	290	–	832	–
Imputed interest expenses on convertible bond	702	594	2,097	1,769
Interest expenses on lease liability	88	–	91	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>1,080</u>	<u>594</u>	<u>3,020</u>	<u>1,769</u>

6. INCOME TAX CREDIT

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	31 August	31 August	31 August	31 August
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax				
Credit for the period	116	82	346	244

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits for the period (2019: Nil).

The Group has unaudited tax losses arising in Hong Kong of approximately HK\$75,594,000. (As at 31 August 2019: approximately HK\$69,299,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised due to the unpredictability of the future profit streams.

No income tax was recognised in consolidated statement of profit or loss and other comprehensive income during the period (2019: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company for the three months and nine months ended 31 August 2020 is based on the unaudited net loss for the period of approximately HK\$1,110,000 and HK\$5,343,000 respectively (For the three months and nine months ended 31 August 2019: unaudited net loss of approximately HK\$1,734,000 and HK\$4,087,000 respectively), and the weighted average number of 301,108,062 ordinary shares for both three months and nine months ended 31 August 2020 and 2019.

Diluted loss per share

The calculation of diluted loss per share did not assume the exercise of the convertible bond and convertible preference shares that existed during the period as the exercise of the convertible bond and convertible preference shares would reduce loss per share, therefore anti-dilutive. Diluted loss per share for the three months and nine months ended 31 August 2020 and 2019 were the same as the basic loss per share.

8. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 August 2020

	Attributable to owners of the Company							
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Share capital	Share premium	Contributed surplus	Special reserve	Convertible bond reserve	Exchange reserve	Accumulated losses	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30 November 2018 as originally presented	42,464	113,656	37,600	10,828	11,830	–	(232,511)	(16,133)
Impact on initial application of HKFRS 9 and HKFRS 15	–	–	–	–	–	–	(1,119)	(1,119)
Restated balance as at 1 December 2018	42,464	113,656	37,600	10,828	11,830	–	(233,630)	(17,252)
Loss and total comprehensive loss for the period	–	–	–	–	–	–	(4,087)	(4,087)
As at 31 August 2019	<u>42,464</u>	<u>113,656</u>	<u>37,600</u>	<u>10,828</u>	<u>11,830</u>	<u>–</u>	<u>(237,717)</u>	<u>(21,339)</u>
As at 1 December 2019	42,464	113,656	37,600	10,828	11,830	–	(238,595)	(22,217)
Loss and total comprehensive loss for the period	–	–	–	–	–	–	(5,343)	(5,343)
As at 31 August 2020	<u>42,464</u>	<u>113,656</u>	<u>37,600</u>	<u>10,828</u>	<u>11,830</u>	<u>–</u>	<u>(243,938)</u>	<u>(27,560)</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 August 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded an unaudited turnover of approximately HK\$4,021,000 for the three months ended 31 August 2020, increased by 34% from approximately HK\$3,006,000 for the same period last year. Of the total unaudited turnover amount, (i) approximately HK\$1,879,000 or 47% was generated from software license sales and professional services, (ii) approximately HK\$1,124,000 or 28% was generated from maintenance services, (iii) approximately HK\$649,000 or 16% was generated from sales of computer hardware, (iv) approximately HK\$270,000 or 7% was generated from Fintech resources services and (v) approximately HK\$99,000 or 2% was generated from overseas mortgage loan consultancy services. The unaudited net loss attributable to shareholders of the Company for the three months ended 31 August 2020 was approximately HK\$1,110,000, in which approximately HK\$1,080,000 was imputed interest expenses on convertible bond and promissory note and interest expenses on lease liability, whereas the Group recorded an unaudited net loss of approximately HK\$1,734,000 for the same period last year after deducting the imputed interest of approximately HK\$594,000.

During the period, the Group continued to exercise prudent cost control measures by implementing tight expenses measures in its operations. The unaudited operating expenditures amounted to approximately HK\$2,427,000 for the three months ended 31 August 2020, decreased by 27% when compared to approximately HK\$3,330,000 for the corresponding period last year. The decreases were mainly due to decrease in professional and legal fee and result from cost saving measures implemented by the Group.

During the period, the unaudited depreciation expenses on right-of-use assets was approximately HK\$550,000. The unaudited depreciation expenses on property, plant, and equipment was approximately HK\$28,000, decreased by 48% when comparing to approximately HK\$54,000 for the same period last year since some property, plant and equipment have been fully depreciated over its useful life.

The Group continues to invest in the research and development of its existing products and strengthen its customer support services to match the development direction of new products and advance technological demand from the market. The Group has devoted resources in the development of its new product “FinReg Innovative Tools” in last year and its phase 1 development of “FinReg Innovative Tools” has been successfully completed and launched to the market. Following up, the Group is devoting its resources in the continue the development of phase 2 “FinReg Innovative Tools” during 2020. Furthermore, the Group has been exploring additional value-added products and services extensions. Through utilizing the competitive advantages of its new C# version of OCTOSTP system, the Group has dedicated efforts in developing the extension of new C# back office system to middle office platform. According to the Group’s tentative timeline, the “Middle Office” system is estimated to be launched to the market in the second quarter 2021. The “Middle Office” system is a comprehensive platform that helps customers to improve business performance with efficiency and automation. It has certain new and advanced functionalities including (i) Know Your Customer system (“KYC system”), an integrated technology platform that efficiently manages KYC policies and regulatory compliance requirements and enables online account opening; (ii) customer management system, a modular solution for enhancement of customer service and customer management since it provides a collaboration platform connected to multi-operation system and enables users to manage their clients’ database within one solution across various functions and (iii) wealth management system, which concentrates on the digital transformation of the wealth management industry. The Group believes that these would help maintain its competitiveness in the market and achieve sustainable growth.

The Group has no provision made for impairment of trade receivables for the three months ended 31 August 2020.

Total unaudited staff costs (excluding directors’ remuneration) are approximately HK\$2,313,000 for the three months ended 31 August 2020, an 26% increase from approximately HK\$1,832,000 for the same period last year. The increases were mainly attributed to increase in headcount in sales and marketing team to cope with the Group’s business expansion plan and less development cost being capitalized during the period as compared with the corresponding period last year.

Operation Review

For the three months ended 31 August 2020, the unaudited turnover was approximately HK\$4,021,000, increased by 34% from approximately HK\$3,006,000 for the same period last year. Of the total unaudited turnover, turnover of approximately HK\$3,003,000 represented sales of self-developed software, turnover of approximately HK\$369,000 was generated from Fintech resources services and overseas mortgage loan consultancy services and turnover generated from resales of computer hardware and the third parties' products were approximately HK\$649,000.

During the period, the Group has experienced great challenges. The Coronavirus disease ("COVID-19") epidemic is still highly severe and even evolved to the third wave of outbreak in Hong Kong. The unfavourable market condition will continue to affect the financial market and the investment sentiment is prudent. Some potential and existing customers of the Group have slowed down their business activities and has further delay to implement the new project progress. During the period, the Group has been closely negotiating with one customer for implementation of its OCTOSTP back office system and SQL server upgrade project. However, as impacted by COVID-19, the contracts signing with approximately HK\$898,000 were deferred from the third quarter to the fourth quarter of this year. Up to the date of this announcement, the Group had approximately HK\$2.5 million worth of service contracts and hardware sales contracts that were in progress.

Although prolonged market uncertainty will lead to some existing and potential customers considering budget cut or deferring business activities, the Group remains optimistic about the prospects of IT related services with focus in the financial sector. The Group strives to turn crises into opportunities. The COVID-19 has exposed the importance of technology and has accelerated technology development especially in aspects of remote working, cloud solutions and telecommunications. Social distancing and remote working have created customer demand for IT related products and services. Computer hardware, network equipment and IT services become essential elements for every company to support its business development and to catch up with technology advancement. The Group is able to generate more turnover in this area by facilitating customers' needs on IT infrastructure and software solutions. On the other hand, the Stock Exchange regularly conducts a comprehensive review on the technical architecture of its critical systems, the operational procedures and the overall IT quality management framework so as to strengthen the reliability and stability of the trading systems. With the upgrade of the trading platform as required by the Stock Exchange, the Group as the service provider would help to maintain the standard of infrastructure development of the financial sector.

The Group targets to strive for expanding and diversifying its business lines and seeking new business opportunities to keep competition in the market and to achieve sustainable growth remain the top priorities of the Group. Consistently, the Group continues to improve its existing products for better user experience. Simultaneously, the Group has been attaining product diversification and broadening its customer base. The Group has also taken several measures including (i) holding virtual seminars and making use of video conferencing software to follow up with customers; (ii) strengthening online media promotion; (iii) cooperating with new business partners for expansion of product base; (iv) seeking for new business opportunity by modifying the existing software of the Group to cater a new group of target customers; and (v) maintaining an efficient and lean cost structure with stringent control on fixed cost.

After dedicated efforts in the development of our new product, “FinReg Innovative Tools”, our endeavors start to bear fruit. As at the date of this announcement, the Group has signed two sales contracts to implement “FinReg Innovative Tools” with one new brokerage house customer and one existing customer, which the system has already gone live during the period. This is a remarkable breakthrough and the Group is also closely negotiating with several potential customers in the meantime, including two well-known and sizeable securities firms. The Group actively carries out marketing campaign to promote its services and is confident that “FinReg Innovative Tools” would contribute positively to the Group’s profitability in the coming future.

Additionally, the Stock Exchange has launched several new products and market change enhancements which are including (i) new spread table and continuous quoting market making obligations for Exchange Traded Funds (“ETFs”) and Leveraged and Inverse (“L&I”) Products, which was launched to the market in the first quarter of the year; (ii) upgrade OMD and OCG Module which is covering pre-opening Session Enhancement and Resilience Model Enhancement (“POS”), which will be launched to the market in the fourth quarter of the year according to the Stock Exchange’s tentative timeline. The Group has signed new sales contracts with not less than five brokerage firms for system enhancement for L&I and POS respectively.

The Group has successfully registered as the IT service providers of the Distance Business Programme (“D-Biz Programme”) launched by the HKSAR Government in 2020. The Innovative and Technology Commission (ITC) has launched the D-Biz Programme which provides funding support through fast-track processing for enterprises to adopt IT solutions for developing distance business. The Group’s services fall into the funding scope, including (i) online order taking and delivery, and smart self-service system; (ii) online customer services and engagement; and (iii) other online/custom-built/cloud-based business support systems. The D-Biz Programme allows the Group to expand its customer base to non-financial institutions.

Since 2019, the Group has cooperated with not less than ten new business partners involving various products and solutions such as cloud services, network security solutions, compliance solutions, IT managing service, scanning and storage solutions, CCTV solutions, mobile application design services, active back-up solution and video conferencing solution that enable the Group to provide more innovative business solutions to its customers.

During the period, the Group has partnership with three more new business partners. One is a famous global company providing risk data, financial information publications, business news and data capabilities. It has integrated its financial information solutions with the Group's FinReg Innovative Tools. Furthermore, the Group became a business partner with one leading enterprise in the mobile and wireless arena in Hong Kong and Mainland China to sell its mobility products. In addition, the Group has entered into partnership agreement with a cloud solutions distributor to sell Alibaba cloud solutions.

More information on the Group's development and expansion plan are set out below in this announcement.

Prospects

Operational efficiency and increase its revenue growth will continue to be top priorities for the Group for 2020. In the coming year, the directors expect to be able to gain the benefits from its efforts spent on new products development and marketing promotion.

With a more efficient infrastructure and our well experience in the financial industry, the Group can dedicate more research and development focus on its OCTOSTP improvement and upgrading and more new diversify solutions such as "FinReg Innovative Tools". The phase 1 development of "FinReg Innovative Tools" has been successfully launched to the market. The Group will continue to keep up with the market trend and the industry requirements and also will explore new business opportunities and widen the Group's turnover stream from both existing and potential customers.

Besides, based on the Group's experience on sourcing computer hardware and solutions 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 sale and business product 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 well-diversified products and services range, which maintains its market competitiveness and it is well equipped to face future challenges and believe that the Group will be strongly positioned to grow when market conditions improve.

SUPPLEMENTARY INFORMATION FOR THE NINE MONTHS ENDED 31 AUGUST 2020

The Board wishes to supplement the shareholders of the Company additional information in respect of the expansion plans of the Group.

Expansion Plans of the Group

The Group will further focus on its core business and technology development with product functionality improvement and expansion in the service areas offered to the customers. The Group has explored and will dig in to every business opportunity to keep its competitiveness and sustainability. Therefore, the Group has been implementing following expansion and development plans with the goal to improve its business performance.

(1) Sales of Computer Software Licences, Software Rental and Provision of Related Services

The Group's flagship product: OCTOSTP (Order routing, Credit control, Transaction settlement and Online trading) is primarily designed to provide advanced solution for front and back-office trading in brokerage houses and securities divisions of local and international banks in Hong Kong.

The Group intends to expand this segment by (i) upgrade of OCTOSTP system; (ii) expansion of customer base; and (iii) expansion of product base. Details of which are set out below.

(i) Upgrade of OCTOSTP system

The Group has been developing additional value-added products and service extensions during recent years. It has devoted its resources in developing the new C# version of its core brokerage settlement system (i.e. OCTOSTP) since 2018. The C# version is an upgrade version of OCTOSTP Equity Back Office System to replace the old Visual Basic version. It is built upon and tightly integrated with the Group's core system and provided specifically enhanced functionality, better technical performance and improved stabilization. The Group is well-positioned to further promote its upgraded system and attract new customers and also will launch the rental plan for new C# version of OCTOSTP to the market.

The Group has successfully signed a sales contract for the upgraded C# version of OCTOSTP System to one well known brokerage house in Singapore that has local operation in Hong Kong last year. The development work and system testing of the upgrade C# version system have been completed. The system goes live satisfactorily during the period. The Group targets to sign more sales contracts for its OCTOSTP system for the years 2020 – 2021. As at the date of this announcement, the Group has secured sales contracts from an existing customer for OCTOSTP Back Office System and SQL server upgrade. Meanwhile, the Group is in close negotiation with a new customer, a Shanghai bank with Hong Kong branches, to provide OCTOSTP EIPO System.

Additionally, the Stock Exchange has launched several new products and market change enhancements in the People's Republic of China ("PRC") and Hong Kong stock trading markets which are including (i) new spread table and continuous quoting market making obligations for Exchange Traded Funds ("ETFs") and Leveraged and Inverse ("L&I") Products; (ii) upgrade OMD and OCG Module which is covering pre-opening Session Enhancement and Resilience Model Enhancement ("POS") respectively.

ETFs and L&I was launched to the market in the first quarter of the year. As at the date of this announcement, the Group was awarded the satisfactory result that new sales contracts were signed with not less than five brokerage firms for system enhancement and calibration.

The pre-opening Session Enhancement and Resilience Model Enhancement ("POS") will be launched to the market in the fourth quarter of the year according to the Stock Exchange's tentative timeline. As at the date of this announcement, the Group has signed news sales contracts with not less than five brokerage firms for system enhancement and calibration.

(ii) *Expansion of customer base*

Historically, the Group mainly focused its sales to brokerage houses and securities division of banks in Hong Kong. To broaden its customer base, the Group has been expanding its customer base to non-financial institutions and asset management houses and insurance company as well.

The Group has also been carrying out marketing campaigns through holding seminars and participating in exhibitions regularly to approach new and potential customers actively. Since the fourth quarter of the year 2019, the Group actively hosted four seminars to promote the Group's new products "FinReg Innovative Tools" and cooperated with three business partners including one well-known global cyber security company, a global leading vendor of IT infrastructure solutions and one well-known worldwide cloud services partner respectively to promote its newly launched "FinReg Innovative Tools" to brokerage houses and assets management houses. During the seminars, the Group has received satisfactory feedbacks and responses from a number of customers who have indicated their interests in the Group's new products and services. As at the date of this announcement, the Group has signed two sales contracts to implement "FinReg Innovative Tools" with one new brokerage house customer and one existing customer, which the system has already gone live during the period. This is a remarkable breakthrough and the Group is also closely negotiating with several potential customers in the meantime, including two well-known and sizeable securities firms.

Having assessed the COVID-19 situation in Hong Kong, in order to protect the health of participants in seminars, the Group has taken precaution measures. We make use of online platform actively to provide customers with information about the Group's latest development and services. The Group has held Facebook live broadcasting with business partners or Facebook video at least once a month. The Group will continue to cooperate with various business partners throughout the Company's Facebook live to promote its products and services. Since this year, the Group has hosted four live webinars with business partners including a well-known multinational company with its sound AI driven solution, a popular web conferencing service provider and a famous global company providing risk data, financial information publications, business news and data capabilities.

(iii) *Expansion of product base*

In order to strengthen the Group's competitiveness, the Group has also dedicated resources to improve and enhance "FinReg Innovative Tools" which was launched to the market in the fourth quarter of 2019. Following up, the Group is devoting its resources to continue the development of phase 2 "FinReg Innovative Tools" during 2020. "FinReg Innovative Tools" helps customers deal with risk management and compliance of regulatory rules related to securities trading activities with automation and efficiencies.

In addition, through utilizing the competitive advantages of its new C# version of OCTOSTP system, the Group has dedicated efforts in developing the extension of new C# back office system to middle office platform. According to the Group's tentative timeline, the "Middle Office" system is estimated to be launched to the market in the second quarter 2021. The "Middle Office" system is a comprehensive platform that helps customers to improve business performance with efficiency and automation. It has certain new and advanced functionalities including (i) Know Your Customer System ("KYC System"), an integrated technology platform that efficiently manages all KYC policies and regulatory compliance requirements and enables online account opening; (ii) customer management system, a modular solution for enhancement of customer service and customer management since it provides a collaboration platform connected to multi-operation system and enables users to manage their clients' database within one solution across various functions and (iii) wealth management system, which concentrate on the digital transformation of the wealth management industry. The Group believes that these would help maintain its competitiveness in the market and achieve sustainable growth.

(iv) *Strengthen of media promotion platform*

In order to promote the Group's ongoing products and services and introduction of its new products, the Group has strengthened the media promotion platform by revamped the Company's website, established the Company Facebook page "abc Fintech World" and through its Facebook live and YouTube channel respectively. The Group considers that the revamped website and through Company Facebook and YouTube media will provide a better interface with competitive contents to its existing and potential customers, and is able to align with the Group's latest developments to enhance and sustain its competitiveness. The Group has cooperated with several business partners through its Facebook live to promote its ongoing products and services. The Group also targets to cooperate with various business partners to promote its ongoing products and services through the Company Facebook live monthly. As at the date of this announcement, the Group introduces the information of Technology Voucher Program (the "TVP") and the application through the video introduction from the Company's Facebook page. The TVP scheme aims to subsidize local SMEs to use technology services and solutions to increase productivity or upgrade and transform. The Group expects that through the TVP scheme, it can help customers grasp TVP opportunities, use technology services and solutions to increase productivity or upgrade information, thereby expanding its customer base to increase turnover goal.

(2) *Provision of Overseas Mortgage Loan Consultancy Services (New business for the Group in 2020)*

To assist the overseas property investors in Hong Kong affected by the worldwide outbreak of Coronavirus disease and in light of steady demand on resolving mortgage matters which include sourcing overseas mortgage and seeking for approval after committing into purchase agreement with the property developer from overseas property investors in Hong Kong, the Group commenced a new mortgage loan consultancy service to give the overseas property investors in Hong Kong one stop solution to choose the right package with a reputation of having high bank loan approval success rates. The Group's subsidiary, ABC Enterprise Limited has changed its company name to Canada Mortgage Limited to cope with the Group's business expansion plan. The principal activity of Canada Mortgage Limited is provision of the consultancy service on overseas property mortgage loan to customers. To implement the new business, the Group makes use of existing developed mobile apps architecture for further development of mortgage loan application platform for customer services handling. Furthermore, the Company Facebook page "Canada Mortgage" has been launched to promote the service. As at the date of this announcement, the Group is closely negotiating with customers for the provision of consultancy service and secured thirteen applications from the customers.

(3) *Provision of Maintenance Services*

The provision of maintenance services is part and parcel of the direct sale of OCTOSTP. After the direct purchase by the customers, the customers are required to pay a software maintenance fee to the Group. Should the segment of sales of computer software licences, software rental and provision of related services be expanded, the performance of this segment would improve accordingly.

(4) *Sales of Computer Hardware*

The Group intends to expand this segment by (i) expansion of customer base; (ii) expansion of product base; Details of which are set out below.

(i) *Expansion of customer base*

Historically, the Group mainly provided the computer hardware and general software to brokerage houses and securities division of banks in Hong Kong. By leveraging the Group's experience and resources, the Group has expanded its customer base to non-financial related customers. In 2020, the Group has signed thirteen hardware sales contracts. Among all, five contracts were signed with a non-financial customer for providing firewall protection, CCTV solution and server equipment set up; and three contracts were signed with various non-financial customers for providing mobility products and related services. The Group has expanded its sales and marketing team which actively approach other departments of brokerage houses and banks by warm call and throughout seminars. As at the date of this announcement, the Group is in negotiation with several customers for upgrading its computer hardware, firewall and other third party products.

(ii) *Expansion of product base*

Since 2019, the Group has cooperated with not less than ten new business partners involving various products and solutions such as cloud services, network security solutions, compliance solutions, IT managing service, scanning and storage solutions, CCTV solutions, mobile application design services, active back-up solution and video conferencing solution that enable the Group to provide more innovative business solutions to its customers.

During the period, the Group has partnership with three more new business partners. One is a famous global provider of risk data, financial information publications, business news and data capabilities. It has integrated its financial information solutions with the Group's FinReg Innovative Tools. Furthermore, the Group became a business partner with one leading enterprise in the mobile and wireless arena in Hong Kong and Mainland China to sell its mobility products. In addition, the Group has entered into partnership agreement with a cloud solutions distributor to sell Alibaba cloud solutions.

(5) *Provision of Fintech Resources Services*

The Group thinks that there is a great business opportunity in Fintech resources segment because the rapid development of Fintech, big data analytics, artificial intelligence and cyber security in various sectors has raised tremendous demand of IT personnel with comprehensive knowledge and experience on relevant aspects. Besides, under the current uncertain business environment, many companies are hesitated in expanding and trying to find ways to ease their operation burden. Therefore, the Group takes a proactive role to offer solutions to the potential customers with agility, flexibility and cost effective management by providing customers with more flexible on-demand workforce arrangement, IT support and related consultancy services.

In 2020, the Group has signed several secondment contracts with existing customers. More encouragingly, the Group has gained a new secondment contract with a new customer, a recognised securities firm during the period. The Group will provide secondment service for the customer for its phase 1 regulation system and is negotiating closely with the customer for further phases consultancy services.

During the period, the Group has partnered with a recruitment agency who has a solid IT recruitment experience with extensive knowledge and network of candidates within IT industry. The Group and the partner have developed a strategic cooperation plan to provide a spectrum of services to cater customers' needs in IT specialists. The Group believes that its Fintech resources service can achieve win-win outcome and enables customers to streamline operation and concentrate on their core businesses.

The Group expects that the demand of IT specialists will continue to grow. The Group targets to sign more secondment contracts and to generate more turnover from Fintech resources. The Group intends to expand this segment by (i) recruitment of human resource professional; (ii) cooperation with headhunt companies; (iii) make use of recruitment portals and (iv) participating in Career Fair. Details of which are set out below.

(i) *Recruitment of human resource professional*

The Group has recruited a human resource staff to source and identify IT professionals from time to time with the intention to provide the customers with suitable candidates on time.

(ii) *Cooperation with headhunt companies*

The Group has engaged a total of eight recruitment agencies to source and identify more professionals for secondment and recruitment services. During the period, the Group has cooperated with a well-known recruitment company through the Company Facebook Live to promote its ongoing Fintech resources services. The Group will continue to cooperate with various recruitment agencies through the Company's Facebook live to promote its services.

(iii) *Recruitment portals*

The Group has also begun to publish recruitment advertisements on well-known recruitment portals including jobsDB, CTgoodjobs, SCMP online, Indeed and LinkedIn etc. to expand its pool of IT professional candidates for the customers.

(iv) *Participating in Career Fair*

The Group has also started to participate in career fairs. Career fair enables the Group to meet a large pool of potential candidates from the crowd which is considered to be a cost effective approach.

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

As at 31 August 2020, 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 August 2020, 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 August 2020, 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 (Note)	Trustee	Corporate	194,244,779	64.51%

Note:

DGM Trust Corporation is the trustee of The City Place Trust which wholly 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 do 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

On 22 November 2018, pursuant to the conditional subscription agreement dated 28 August 2018 (as supplemented and amended by a supplemental agreement dated 10 October 2018) entered into between the Company and Maximizer International Limited:

1. 123,529,400 convertible preference shares were issued by the Company to Maximizer International Limited. Based on the initial conversion price of HK\$0.17 per new ordinary share upon the exercise of the conversion rights attaching to each the convertible preference share, a maximum number of 123,529,400 new ordinary shares shall be allotted and issued upon full exercise of the conversion rights attaching to the convertible preference shares.
2. five-year unlisted convertible bond with nil interest rate in the principal amount of HK\$29,699,876.20 was issued by the Company to Maximizer International Limited. Based on the initial conversion price of HK\$0.17 per new ordinary share upon the exercise of the conversion rights attaching to the convertible bond, a maximum number of 174,705,154 new ordinary shares shall be allotted and issued upon full exercise of the conversion rights attaching to the convertible bond.

Except for disclosed above, 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 nine months ended 31 August 2020, the audit committee held three 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 August 2020 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standard.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the nine months ended 31 August 2020, 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, 15 October 2020

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.