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

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO  
PRELIMINARY ANNOUNCEMENT OF THE ANNUAL RESULTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022**

References are made to the announcement of abc Multiactive Limited (the “**Company**”) dated 21 February 2023 in relation to preliminary announcement of the annual results (the “**Results Announcement**”) and Annual Report of 2022 dated 21 February 2023 (the “**Annual Report**”). Unless otherwise stated, capitalised terms used in this announcement shall have the same meaning as those defined in the Results Announcement and Annual Report.

**SHORTFALL IN PROFIT FORECAST**

Based on the Results Announcement, the Company’s revenue, gross profit and net profit before taxation for the year ended 30 November 2022 represented a shortfall of approximately 15%, 21% and 50% to the profit forecast as disclosed in its announcement of 26 April 2022 (the “**Profit Forecast**”).

The Profit Forecast is prepared with reference to the consolidated results of the Group for the year ended 30 November 2021 and the consolidated results of the Group for the three months ended 28 February 2022. The Profit Forecast is based on existing and projected contracts with customers, with reference to the confirmed contract sum for the year ending 30 November 2022 (the “**Forecast Period**”).

**Revenue**

The projected revenue in Profit Forecast is based on existing and projected contracts with customers, with reference to the confirmed contract sum for the year ending 30 November 2022. The shortfall of the Group’s revenue between the annual Results Announcement for the year ended 30 November 2022 and Profit Forecast, mainly due to the decrease in the successful rate of the Group’s quotations issued between May 2022 to November 2022. The decrease in the successful is rate contributed by several factors including but not limited to the followings:

- (i) postpone of project engagement by customers due to uncertain economy situation under COVID 19 in mid 2022;

\* For identification purposes only

- (ii) delayed project implementation and engagement due to deferral of system upgrade by The Stock Exchange of Hong Kong Limited (the “**HKEX**”) such as Hong Kong Investor Identification Regime (HKIDR) and Fast Interface for New Issuance (FINI); and
- (iii) hardware inventory supply keeping tight in 2022 then cause increase in selling price and delay in product delivery that further encouraged customers to defer hardware replacement and system implementation.

### **Gross profit**

The shortfall of the Group’s gross profit between the annual Results Announcement for the year ended 30 November 2022 and Profit Forecast is in line with the projected revenue in Profit Forecast as abovementioned. Furthermore, the decrease in gross profit margin is mainly contributed to increase in cost of goods sold due to the increase in subcontracting cost because of staff turnover of the Group and also with factor of lower Gross Margin of FinTech Recruiter business which excess achieved target revenue compared to Profit Forecast that lower the mix of Gross Margin.

### **Net profit before tax**

The shortfall of the Group’s net profit before tax between the annual Results Announcement for the year ended 30 November 2022 and Profit Forecast, mainly represents the net effect of (i) decrease in gross profit in line with the revenue as abovementioned; (ii) the fair value gain on financial assets at fair value through profit or loss (i.e. listing securities) purchased after the date of Profit Forecast and (iii) provision of expected credit losses on trade receivables based on the valuation performed by the independent valuation expert for the year ended 30 November 2022; (iv) received Government subsidy and (v) recognised gain on derecognise from promissory notes.

### **REASONS FOR INCREASE IN ECL PROVISION**

The Company recognised expected credit loss (the “**ECL**”) on trade receivables of HK\$4.2 million, which accounted for 45.6% of the Company’s net profit for the year. As mentioned in the Chairman’s Statement in the Annual Report, 2022 was a difficult year for the securities market. In addition to the weak market conditions, the financial services industry suffered further impact from COVID-19 policy decision. As a result, many technology purchase decisions in the financial services industry were delayed due to uncertainty of the future. In view of this situations, the management generally allow longer settlement cycle to the customers.

The Company engaged valuer to consider ECL on trade receivables at each year ended according to the requirements of Hong Kong Financial Reporting Standard 9 issued by the Hong Kong Institute of Certified Public Accountants. The ECL on trade receivables primarily based on the future macroeconomic conditions and counterparties’ creditworthiness (e.g. the likelihood of default by counterparties). Such assessment has taken regard of quantitative and qualitative historical information and also, the forward-looking analysis.

The increase in loss allowance on trade receivables during the year ended 30 November 2022 was mainly due to the increase the gross carrying amount of trade receivables and increase in historical credit loss rates of trade receivables. The weak market conditions and financial services industry suffered further impact from COVID-19 delay the technology purchase decisions from the customers.

In view of the above situation and to build up long term relationship with our customers, the management believe that the Group must provide a complete and unique “solution” based on comprehensive consideration of the customer’s needs, budget, and actual situation, rather than a single product or service. What customers need is “a business partner who can help them achieve their goals”. As such, management generally allow 180-365 days settlement period to our customers (the “**Arrangement**”) on case-by-case basis.

The determination of length of the credit period was made in case-by-case basis and the Group generally looks at the several factors in assessment of credit risk of the counterparty including but not limited to background, reputation, credit history, capacity to repay, capital, reviewing the financials of the counterparty (if applicable), considering the counterparty’s repayment history and evaluating whether the counterparties are in bankruptcy, receivership or liquidation or have relevant record.

The management consider that the longer settlement period provides a buffer period for customers who are in distress due to the COVID-19 epidemic, so that they will not be forced out of business while strengthen the relationship with customers and expect to provide more business opportunities from them in the future.

Besides, it is commonly believed that the HKSAR Government will cancel all quarantine arrangement and the Hong Kong financial services industry should become better in 2023. According to the statistics by the HKSAR Government, the GDP is decreased 3.5% in 2022 and it expect to increase 3.5-5.5% in 2023.

In view of the above, the management consider that the longer settlement period would allow the Group to increase the market competitiveness and also the market shares as the Arrangement provide flexibility to our customers as the Arrangement allow them to make the repayment when their business recover, i.e. in 2023.

The Group understood, during the long COVID period, business of medium and small financial institutions are more sensitive to unstable economy. In the weak market, such customer intended to defer payments. Furthermore, a few customers suffered from staff turnover in their business that result further delay in payment settlement. In despite of the situation, the Group had asked several customers for partial settlement of overdue trade receivables and allow a longer settlement period for the remaining overdue balance.

Management closely monitors with those customers for the outstanding balances, including site visit their office while performing maintenance services, physical meeting with the customers and contact them by telephone call to ask for the repayment regularly.

Up to the date of the Results Announcement, approximately HK\$11.4 million or 25.4% of the outstanding balance has been received.

## **CHANGE IN ADOPTION OF THE DEFAULT RATE AND RECOVERY RATE FOR ECL ASSESSMENT**

In preparing the ECL assessment for the Group's trade receivables as at 30 November 2021, the management expert adopted the default rate and recovery rate from the international research firm, e.g. Moody's, and the management were of the opinion that the abovementioned default rate and recovery rate are approximated to the Group's expected loss rate due to the lack of material actual loss in the last few years.

In preparing the ECL assessment for the Group's trade receivables as at 30 November 2022, the management expert adopted the historical actual loss rate based in the historical settlement record of the Group's trade receivables provided by the management due to the settlement behavior of the Group's customers was worse than that of 2021.

In the past years, the Group's major customers are banks and high reputation financial institutions in Hong Kong, it is rare to have default payment and management considered recovery rate of Moody for FSI section is a more close reference for ECL assessment. However, after the Group acquisitions of FinTech Recruiter business in 2021 and launch the new RegTech Solution products in the market, the customers base expanded to medium and small financial institutions and even various industries. During the long COVID period, business of those medium and small financial institutions are more sensitive to unstable economy. The Group also observed there is delay payment occurred during 2022. With consultation with valuer and auditor, the Group decided to adopt historical loss rate which is more appropriate to assess the overall ECL risk for the year.

By order of the Board of  
**abc Multiactive Limited**  
**Joseph Chi Ho HUI**  
*Chairman*

Hong Kong, 29 March 2023

*As at the date of this announcement, the executive Directors are Mr. Joseph Chi Ho HUI and Ms. Clara Hiu Ling LAM; and the independent non-executive Directors are Mr. Kwong Sang LIU, Mr. Edwin Kim Ho WONG and Mr. William Keith JACOBSEN.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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