



abcmultiactive

abc Multiactive Limited

(Incorporated in Bermuda with limited liability)

Stock code:8131

2017

THIRD QUARTERLY REPORT



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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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This report, for which the directors of abc Multiactive Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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 2017, together with the comparative figures.

		(Unaudited) Three months ended 31 August		(Unaudited) Nine months ended 31 August	
Notes		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Turnover	3	3,198	5,594	11,675	15,054
Cost of sales		<u>(733)</u>	<u>(1,810)</u>	<u>(2,948)</u>	<u>(3,795)</u>
Gross profit		2,465	3,784	8,727	11,259
Other revenue	3	-	-	-	-
Loss on de-registration of a subsidiary		(48)	-	(48)	-
Software research and development expenses		(1,299)	(1,557)	(4,268)	(4,504)
Selling and marketing expenses		(291)	(232)	(750)	(765)
Administrative expenses		(2,138)	(2,508)	(6,197)	(6,663)
Unrealised exchange (loss)/ gain		<u>(130)</u>	<u>26</u>	<u>(158)</u>	<u>(127)</u>
Loss from operating activities	4	(1,441)	(487)	(2,694)	(800)
Finance costs	5	<u>(823)</u>	<u>(642)</u>	<u>(2,133)</u>	<u>(1,869)</u>
Loss before taxation		(2,264)	(1,129)	(4,827)	(2,669)
Income tax expense	6	-	-	-	-
Loss for the period		<u>(2,264)</u>	<u>(1,129)</u>	<u>(4,827)</u>	<u>(2,669)</u>



	(Unaudited) Three months ended 31 August		(Unaudited) Nine months ended 31 August	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Notes				
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	-	(6)	-	(4)
Release of exchange reserve upon de-registration of a subsidiary	<u>180</u>	-	<u>180</u>	-
Other comprehensive income/(loss) for the period, net of tax	<u>180</u>	(6)	<u>180</u>	(4)
Total comprehensive loss for the period	<u>(2,084)</u>	(1,135)	<u>(4,647)</u>	(2,673)
Loss for the period attributable to owners of the Company	<u>(2,264)</u>	(1,129)	<u>(4,827)</u>	(2,669)
Total comprehensive loss for the period attributable to owners of the Company	<u>(2,084)</u>	(1,135)	<u>(4,647)</u>	(2,673)
		(Restated)		(Restated)
Loss per share				
- Basic and diluted	7 <u>HK(0.78)cents</u>	HK(0.42) cents	<u>HK(1.75) cents</u>	HK(1.00) cents

NOTES:

1. BASIS OF PREPARATION

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

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

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

2. IMPACT OF NEW HKFRSs AND HKASs

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

Changes in accounting policies

HKFRSs and HKASs that are effective for the nine months ended 31 August 2017:

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

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



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

3. TURNOVER AND OTHER REVENUE

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

An analysis of the Group's turnover and other revenue for the three months and nine months ended 31 August 2017 is as follows:

	(Unaudited) Three months ended 31 August		(Unaudited) Nine months ended 31 August	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Turnover				
Sales of computer software licences, software rental and provision of related services	1,822	2,667	7,236	7,964
Provision of maintenance services	1,376	1,452	4,106	4,439
Sales of computer hardware	–	1,475	333	2,651
	<u>3,198</u>	<u>5,594</u>	<u>11,675</u>	<u>15,054</u>
Other revenue				
Interest income on bank deposits	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

4. LOSS FROM OPERATING ACTIVITIES

	(Unaudited) Three months ended 31 August		(Unaudited) Nine months ended 31 August	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Loss from operating activities is arrived at after charging:				
Depreciation on property, plant and equipment	57	48	170	92
Operating lease payments in respect of				
– land and buildings	600	471	1,800	1,481
– plant and equipment	7	7	21	21
Staff costs (excluding directors' remuneration)				
– salaries and allowances	2,591	2,733	7,983	7,907
– retirement benefit costs	85	91	274	255
Cost of computer hardware sold	–	1,261	296	2,123
Loss on disposal of property, plant and equipment	–	49	–	49
Loss on de-registration of a subsidiary	48	–	48	–
Unrealised exchange loss	130	–	158	127
	=====	=====	=====	=====
and after crediting:				
Unrealised exchange gain	–	26	–	–
Reversal of impairment loss on trade receivables	–	–	12	–
	=====	=====	=====	=====

5. FINANCE COSTS

	(Unaudited) Three months ended 31 August		(Unaudited) Nine months ended 31 August	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Interest on promissory notes				
– wholly repayable within five years	823	642	2,133	1,869
	=====	=====	=====	=====

6. INCOME TAX EXPENSE

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

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

The potential unaudited deferred tax asset of approximately HK\$10,693,000 (As at 31 August 2016: approximately HK\$11,308,000) relating to tax losses available for carry forward and other timing differences as at 31 August 2017 have not been recognized due to the unpredictability of the future profit streams.

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 2017 is based on the unaudited net loss for the period of approximately HK\$2,264,000 and HK\$4,827,000 respectively (For the three months and nine months ended 31 August 2016: unaudited net loss of approximately HK\$1,129,000 and HK\$2,669,000 respectively), and on the weighted average number of 291,843,199 and 275,537,039 ordinary shares respectively (2016: 267,383,960 ordinary shares, restated) in issue during the period. On 23 June 2017, a total of 60,221,612 new ordinary shares of the Company were issued at the subscription price of HK\$0.20 each as a result of the rights issue to the shareholders of the Company, on the basis of one rights issue for every four shares held on the record date.

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the three months and nine months ended 31 August 2017 have been adjusted for the effects of rights issue completed on 23 June 2017. The comparative figures have also been restated accordingly.

Diluted loss per share

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



8. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 August 2017

	Attributable to owners of the Company					
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total Equity HK\$'000
As at 1 December 2015	24,089	105,821	37,600	(200)	(217,339)	(50,029)
Loss for the period	-	-	-	-	(2,669)	(2,669)
Other comprehensive loss for the period	-	-	-	(4)	-	(4)
As at 31 August 2016	<u>24,089</u>	<u>105,821</u>	<u>37,600</u>	<u>(204)</u>	<u>(220,008)</u>	<u>(52,702)</u>
As at 1 December 2016	24,089	105,821	37,600	(209)	(221,634)	(54,333)
Issue of ordinary shares upon rights issue	6,022	6,022	-	-	-	12,044
Expenses attributable to rights issue	-	(765)	-	-	-	(765)
Loss for the period	-	-	-	-	(4,827)	(4,827)
Other comprehensive income for the period	-	-	-	180	-	180
As at 31 August 2017	<u>30,111</u>	<u>111,078</u>	<u>37,600</u>	<u>(29)</u>	<u>(226,461)</u>	<u>(47,701)</u>



INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded an unaudited turnover of approximately HK\$3,198,000 for the three months ended 31 August 2017, a 43% decrease from approximately HK\$5,594,000 for the corresponding period of the previous year. Of the total unaudited turnover amount, approximately HK\$1,822,000 or 57% was generated from software license sales and professional services and approximately HK\$1,376,000 or 43% was generated from maintenance services. As at 31 August 2017, the Group had approximately HK\$2.6 million worth of contracts that were in progress. The unaudited net loss attributable to shareholders for the three months ended 31 August 2017 was approximately HK\$2,264,000 whereas the Group recorded an unaudited net loss of approximately HK\$1,129,000 for the corresponding period of the previous year.

The Group's unaudited operating expenditures amounted to approximately HK\$3,728,000 for the three months ended 31 August 2017, a 13% decrease from approximately HK\$4,297,000 for the corresponding period of the previous year. The decreases were mainly attributed to the additional expenses for Hong Kong office removal in the previous year and decrease in headcounts during the period.

Due to Hong Kong office relocation and additional spending on office renovation and purchase of office equipment in the second half year of 2016, the unaudited depreciation expenses increased from approximately HK\$48,000 for the same period last year to approximately HK\$57,000 in the current period.

During the current period, the Group invested approximately HK\$1,299,000 in developing new modules for its OCTO Straight Through Processing ("STP") system ("OCTOSTP").

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

Total unaudited staff costs (excluding directors' remuneration) are approximately HK\$2,676,000 for the three months ended 31 August 2017, a 5% decrease from approximately HK\$2,824,000 for the corresponding period of the previous year. The decrease was mainly attributed to decrease in headcounts during the period.

On 23 June 2017, the Group completed a rights issue of 60,221,612 rights shares at the subscription price of HK\$0.20 per rights share on the basis of one rights share for every four existing shares held on the record date and the board lot size of the shares for trading on the Stock Exchange will be changed from 2,000 shares to 10,000 shares with effect on 28 June 2017. Accordingly, the issued share capital of the Company has been increased from HK\$24,088,645 to HK\$30,110,806. These new shares rank *pari passu* in all respect with the existing shares. It was proposed to raise approximately HK\$12 million by the way of rights issue for the Group for the repayment of two promissory notes which were due on 30 June 2017 and to be used as general working capital to enhance the financial position of the Group. The net proceeds from the rights issue amounted to approximately HK\$11.26 million after expenses. On 30 June 2017, the Company has fully repaid the two promissory notes in the amount of approximately HK\$9.64 million (included two promissory notes in the principal amounts of approximately CAD1,025,000 (approximately to HK\$6,183,000) and HK\$1,000,000 respectively together with their accrued interests of approximately CAD399,000 (approximately to HK\$2,406,000) and HK\$53,000 respectively) to Active Investments Capital Limited ("Active Investments"). The remaining of the net proceeds of approximately HK\$1.62 million will be applied towards the general working capital of the Group.

The Group's subsidiaries, abc Multiactive (Hong Kong) Limited and Maximizer Asia Limited approved to de-register its dormant People's Republic of China (the "PRC") subsidiaries, abc Multiactive (Shenzhen) Limited and Maximizer Asia (Shanghai) Limited respectively.

On 24 July 2017, the de-registration of abc Multiactive (Shenzhen) Limited, has been completed. The unaudited loss on written off subsidiary assets was approximately HK\$48,000 and unaudited loss on foreign currency translation adjustment of approximately HK\$180,000 was charged from exchange reserve to profit and loss account.

At the date of this report, the application of de-registration of Maximizer Asia (Shanghai) Limited is in the process. The financial position of the subsidiary is included in the unaudited consolidated financial statements of the quarterly report which did not have significant impact to the Group's results for the three months and nine months ended 31 August 2017.



Promissory Notes

On 30 June 2017, a new promissory note with the principal amount of approximately HK\$6,359,000 was issued by the Company in favour of Wickham Group Limited ("Wickham"), ("Hong Kong Dollar Denominated Promissory Note to Wickham") to replace the existing promissory note in the principal amount of approximately HK\$4,635,000 and its accrued interest of approximately HK\$1,724,000, which was immediately cancelled after issue of a new Hong Kong Dollar Denominated Promissory Note. The new Hong Kong Dollar Denominated Promissory Note to Wickham with the aggregate amount of approximately HK\$6,359,000 was unsecured, interest bearing at Hong Kong prime rate plus 3% as quoted by the Hong Kong and Shanghai Banking Corporation Limited, and maturing on 1 March 2019. Wickham is owned by a close family member of an executive director of the Company. The Company recorded interest payable to Wickham in the amount of approximately HK\$112,000 for the three months ended 31 August 2017.

On 31 August 2017, Wickham had assigned its Hong Kong Dollar Denominated Promissory Note including interest receivable from the Company in the total amount of approximately HK\$6,444,000 to Active Investments. To cope with this change, the Company had cancelled the Hong Kong Dollar Denominated Promissory Note with Wickham and reissued a new Hong Kong Dollar Denominated Promissory Note in the amount of approximately HK\$6,444,000 payable to Active Investments on the same date under the same terms and conditions as previous Hong Kong Dollar Promissory Note with Wickham.

On 30 June 2017, a new promissory note with the principal amount of approximately HK\$37,839,000 was issued by the Company in favour of Active Investments, ("Hong Kong Dollar Denominated Promissory Note to Active Investments") to replace the existing promissory note in the principal amount of approximately HK\$25,705,000 and its accrued interest of approximately HK\$12,134,000, which was immediately cancelled after issue a new Hong Kong Dollar Denominated Promissory Note. The new Hong Kong Dollar Denominated Promissory Note to Active Investments with the aggregate amount of approximately HK\$37,839,000 was unsecured, interest bearing at Hong Kong prime rate plus 3% as quoted by the Hong Kong and Shanghai Banking Corporation Limited, and maturing on 1 March 2019. Active Investments is wholly owned by the chief executive officer of the Company. The Company recorded interest payable to Active Investments in the amount of approximately HK\$711,000 for the three months ended 31 August 2017.

Operation Review

For the three months ended 31 August 2017, the unaudited turnover from Financial Solutions is approximately HK\$3,198,000, a 43% decrease from approximately HK\$5,594,000 for the corresponding period of the previous year. Of the total unaudited turnover from Financial Solutions, turnover of approximately HK\$3,011,000 represents sales of self-developed software, and revenue generated from resales of third parties' software, hardware and other products are approximately HK\$187,000. The reason of the turnover decreases were mainly attributed to reduce in sales of computer hardware from customers and descend from the provision of professional and maintenance services during the period.

The new trading platform, the Orion Trading Platform – Securities Market (OTP-C) has announced by The Stock Exchange to replace the current AMS/3.8 platform in late fourth quarter 2017 by The Stock Exchange's tentative timeline. The OTP-C is developed based on open systems which provide greater flexibility to support new functionalities and increased trading capacity for the next decade. To facilitate our customers for better preparation for the launch of the OTP-C, the Group commence for the implementation of system upgrade for the OTP-C during the period. The first stage of end-to-end test session with OTP-C has submitted satisfactory test results to The Stock Exchange at the end of September 2017. We have confidence that we are well equipped for market rehearsals will be arranged tentatively in the fourth quarter 2017 according to The Stock Exchange's tentative timeline. During the period, the Group was awarded the satisfactory result that the new sales contracts with certain brokerage firms for system upgrade for the OTP-C.

Excepted for the OTP-C, the Group continue through integration, implementation and upgrading with the Group's solutions to improve our OCTOSTP and also assist our customers facing technological challenge in the financial industry. At the same time, the Group is also target to widen its revenue channel by sourcing different business models from other channel partners for our customers.

Prospects

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



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

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

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

Long positions in shares

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

Long positions in underlying shares

(a) *The Company:*

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

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

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

(b) *Associated Corporation:*

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

Long positions in debentures

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

Short positions in shares

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

Short positions in underlying shares

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

Short positions in debentures

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

Save as disclosed above, as at 31 August 2017, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

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

Long positions in shares

Name	Capacity	Nature of interest	Number of ordinary shares	Percentage of issued share capital
Maximizer International Limited	Beneficial owner	Corporate	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 do not include Mr. Joseph Chi Ho Hui or Ms. Clara Hiu Ling Lam or any of their respective spouses or minor children. Mr. Kau Mo Hui is the father of Mr. Joseph Chi Ho Hui, an executive director of the Company, and Mr. Samson Chi Yang Hui, the chief executive officer of the Company. Mr. Kau Mo Hui is also the father-in-law of Ms. Clara Hiu Ling Lam, an executive director of the Company.

Long positions in underlying shares

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

Short positions in shares

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

Short positions in underlying shares

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

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

AUDIT COMMITTEE

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

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

During the nine months ended 31 August 2017, 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. 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 2017 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standard.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

By order of the Board
Joseph Chi Ho HUI
Chairman

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

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

Hong Kong, 13 October 2017