



abc*multiactive*

abc Multiactive Limited

(Incorporated in Bermuda with limited liability)
Stock code:8131

2018 **THIRD QUARTERLY REPORT**

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 GEM of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable 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 2018, together with the comparative figures.

		(Unaudited) Three months ended 31 August		(Unaudited) Nine months ended 31 August	
	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Turnover	3	3,209	3,198	12,500	11,675
Cost of sales		(323)	(733)	(2,120)	(2,948)
Gross profit		2,886	2,465	10,380	8,727
Loss on de-registration of a subsidiary		—	(48)	—	(48)
Software research and development expenses		(892)	(1,299)	(3,227)	(4,268)
Selling and marketing expenses		(242)	(291)	(688)	(750)
Administrative expenses		(2,451)	(2,138)	(6,459)	(6,197)
Unrealised exchange gain/(loss)		2	(130)	1	(158)
(Loss)/profit from operating activities	4	(697)	(1,441)	7	(2,694)
Finance costs	5	—	(823)	—	(2,133)
(Loss)/profit before taxation		(697)	(2,264)	7	(4,827)
Income tax expense	6	—	—	—	—
(Loss)/profit for the period		(697)	(2,264)	7	(4,827)

	(Unaudited) Three months ended 31 August		(Unaudited) Nine months ended 31 August	
Notes	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign operations	—	—	—	—
Release of exchange reserve upon de-registration of a subsidiary	—	180	—	180
Other comprehensive income for the period, net of tax	—	180	—	180
Total comprehensive (loss)/income for the period	<u>(697)</u>	<u>(2,084)</u>	<u>7</u>	<u>(4,647)</u>
(Loss)/profit for the period attributable to owners of the Company	<u>(697)</u>	<u>(2,264)</u>	<u>7</u>	<u>(4,827)</u>
Total comprehensive (loss)/income for the period attributable to owners of the Company	<u>(697)</u>	<u>(2,084)</u>	<u>7</u>	<u>(4,647)</u>
	<i>HK cents</i>	(restated) <i>HK cents</i>	<i>HK cents</i>	(restated) <i>HK cents</i>
(Loss)/earnings per share				
— Basic and diluted	<u>(0.231)</u>	<u>(0.85)</u>	<u>0.002</u>	<u>(1.81)</u>

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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 ("CO") and GEM Listing Rules. They are prepared under the historical cost convention.

The unaudited consolidated results for the nine months ended 31 August 2018 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated results are consistent with those used in the Company's annual financial statements for the year ended 30 November 2017, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") as disclosed in note 2 below.

2. IMPACT OF NEW HKFRSs AND HKASs

The HKICPA has issued a number of new and revised HKFRSs and HKASs which are effective for accounting periods commencing on or after 1 January 2017. The Group has adopted, for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

Changes in accounting policies

HKFRSs and HKASs that are effective for the nine months ended 31 August 2018:

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

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

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

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

3. TURNOVER

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

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

	(Unaudited) Three months ended 31 August		(Unaudited) Nine months ended 31 August	
	2018 HK\$'000	2017 <i>HK\$'000</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Turnover				
Sales of computer software licences, software rental and provision of related services	1,427	1,822	6,283	7,236
Provision of maintenance services	1,460	1,376	4,480	4,106
Sales of computer hardware	99	—	902	333
Provision of Fintech resources services	223	—	835	—
	<u>3,209</u>	<u>3,198</u>	<u>12,500</u>	<u>11,675</u>

4. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

	(Unaudited)		(Unaudited)	
	Three months ended 31 August		Nine months ended 31 August	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
(Loss)/profit from operating activities is arrived at after charging:				
Depreciation on property, plant and equipment	61	57	179	170
Operating lease payments in respect of				
— land and buildings	645	600	1,845	1,800
— plant and equipment	7	7	21	21
Staff costs (excluding directors' remuneration)				
— salaries and allowances	2,058	2,591	6,751	7,983
— retirement benefit costs	62	85	219	274
Cost of computer hardware sold	59	—	691	296
Loss on disposal of property, plant and equipment	3	—	3	—
Loss on de-registration of a subsidiary	—	48	—	48
Unrealised exchange loss	—	130	—	158
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
and after crediting:				
Unrealised exchange gain	2	—	1	—
Reversal of impairment loss on trade receivables	—	—	—	12
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. FINANCE COSTS

	(Unaudited) Three months ended 31 August		(Unaudited) Nine months ended 31 August	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Interest on promissory notes — wholly repayable within five years (Note)	—	823	—	2,133

Note:


On 22 August 2018, the Company issued a new promissory note in favour of Active Investments Capital Limited ("Active Investments"), which is a related company wholly-owned by the chief executive officer of the Company, in principal amount of HK\$5,000,000 for the purpose of providing sufficient working capital to cope with the Group's development plan and improving the financial position of the Group. The new promissory note is non-interest bearing and maturing on 1 March 2019.

On 22 August 2018, three outstanding promissory notes in favour of Active Investments were assigned to Maximizer International Limited ("Maximizer"), a shareholder of the Company, under the same terms and conditions (collectively, the "ABC-Max Notes") and are set out as followings:

- i) interest bearing promissory note with the aggregate amount of approximately HK\$41,456,939.32 (included principal amount of approximately HK\$37,838,954.30 and accrued interest of approximately HK\$3,617,985.02 as at 22 August 2018) (the "ABC-Max Note 1");
- ii) interest bearing promissory note with the aggregate amount of approximately HK\$6,966,765.08 (included principal amount of approximately HK\$6,444,059.84 and accrued interest of approximately HK\$522,705.24 as at 22 August 2018) (the "ABC-Max Note 2"); and
- iii) non-interest bearing promissory note in the principal amount of HK\$5,000,000 (the "ABC-Max Note 3").

Following the assignment from Active Investments to Maximizer, the old three promissory notes in favour of Active Investments were cancelled and the Company issued three new promissory notes (ABC-Max Note 1, 2 and 3) in favour of Maximizer.

On 24 August 2018, the Company and Maximizer entered into a letter of agreement, pursuant to which Maximizer waived the amounts equivalent to the interest accrued from 1 December 2017 onward on ABC-Max Note 1 and ABC-Max Note 2 (two interest bearing promissory notes) such that the principal amount on these two interest bearing promissory notes have been reduced accordingly. Thus, total accrued interest for the two interest bearing promissory notes of approximately HK\$2,723,830.20 during the period ended 31 August 2018 was waived.



Subsequently, the above three promissory notes were cancelled and a new non-interest bearing promissory note in the aggregate principal sum of HK\$50,699,874.20 (being the initial principal sum of HK\$37,838,954.30, HK\$6,444,059.84 and HK\$5,000,000 and the accrued interest amount of HK\$1,286,034.91 and HK\$130,825.15 as at 30 November 2017) was issued by the Company in favour of Maximizer and maturing on 1 March 2019.

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 (2017: Nil).

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

The potential unaudited deferred tax asset of approximately HK\$10,751,000 (As at 31 August 2017: approximately HK\$10,693,000) relating to tax losses available for carry forward and other timing differences as at 31 August 2018 have not been recognized due to the unpredictability of the future profit streams.

7. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share attributable to owners of the Company for the three months ended 31 August 2018 is based on the unaudited net loss for the period of approximately HK\$697,000. The calculation of basic earnings per share attributable to owners of the Company for the nine months ended 31 August 2018 is based on the unaudited net profit for the period of approximately HK\$7,000. (For the three months and nine months ended 31 August 2017: unaudited net loss of approximately HK\$2,264,000 and HK\$4,827,000 respectively) and the weighted average number of 301,108,062 ordinary shares for both three and nine months ended 31 August 2018 (For the three months and nine months ended 31 August 2017: 267,383,960 ordinary shares, restated) in issue during the period.

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

Diluted (loss)/earnings per share

The Group has no potentially dilutive ordinary shares in issue during the three months and nine months ended 31 August 2018 and 2017. Diluted (loss)/earnings per share for the three months and nine months ended 31 August 2018 and 2017 were the same as the basic (loss)/earnings per share.

8. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 August 2018

	Attributable to owners of the Company					
	(Unaudited) Share capital <i>HK\$'000</i>	(Unaudited) Share premium <i>HK\$'000</i>	(Unaudited) Contributed surplus <i>HK\$'000</i>	(Unaudited) Exchange reserve <i>HK\$'000</i>	(Unaudited) Accumulated losses <i>HK\$'000</i>	(Unaudited) Total Equity <i>HK\$'000</i>
As at 1 December 2016	24,089	105,821	37,600	(209)	(221,634)	(54,333)
Issue of ordinary shares upon the rights issue	6,022	6,022	—	—	—	12,044
Transaction costs attributable to the 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>
As at 1 December 2017	30,111	111,078	37,600	(29)	(227,462)	(48,702)
Profit for the period	—	—	—	—	7	7
Other comprehensive income for the period	—	—	—	—	—	—
As at 31 August 2018	<u>30,111</u>	<u>111,078</u>	<u>37,600</u>	<u>(29)</u>	<u>(227,455)</u>	<u>(48,695)</u>


INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 August 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded an unaudited turnover of approximately HK\$3,209,000 for the three months ended 31 August 2018, remained steady when compared to approximately HK\$3,198,000 for the same period last year. Of the total unaudited turnover amount, approximately HK\$1,427,000 or 45% was generated from software license sales, software rental and professional services, approximately HK\$1,460,000 or 45% was generated from maintenance services, approximately HK\$99,000 or 3% was generated from sales of computer hardware and approximately HK\$223,000 or 7% was generated from Fintech resources services. Due to the recent economic environment uncertainties as well as the Exchange had delayed launch of Northbound investor ID, the demand for the financial solutions sales from customers and related project implementation were slowdown, but the Group recorded consistent growth in maintenance services income from existing customers; increase in computer hardware sales; and additional income contributed by Fintech resources services of the Group in 2018. Therefore, the Group was able to maintain stable turnover for the three months ended 31 August 2018. As at 31 August 2018, the Group had approximately HK\$1.2 million worth of contracts that were in progress.



The unaudited net loss attributable to shareholders for the three months ended 31 August 2018 was approximately HK\$697,000 whereas the Group recorded an unaudited net loss of approximately HK\$2,264,000 for the same period last year.

The Group started the year by accelerating its expansion plans but also adopted a more conservative position and implemented various cost control measures as the economic uncertainties placed price pressures on orders received and customers became more cost cautious in purchasing financial solutions products and services in the second half year 2018. Despite this challenging environment, the Group had exercised prudent measures on cost control policies and decreased its operating expenditures to HK\$3,585,000 for the three months ended 31 August 2018, a 4% decrease as compared to the Group's operating expenditures of HK\$3,728,000 for the same period last year. Meanwhile, the Exchange has issued letters to the Company concerning about the Company's compliance of GEM Listing Rule 17.26 to justify the continued listing of the Company's securities. The Group has appointed financial and legal advisers to cope with this matter. During the period ended 31 August 2018, the Group spent approximately HK\$440,000 on professional and legal fees to the financial and legal advisers which were included in administrative expenses for the three months ended 31 August 2018.

The unaudited depreciation expenses increased from approximately HK\$57,000 for the same period last year to approximately HK\$61,000 in the current period. The increase was mainly attributed to purchases of the office computer equipment during the period.

During the current period, the Group invested approximately HK\$892,000 in developing new modules for its OCTO Straight Through Processing ("STP") system ("OCTOSTP").

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

Total unaudited staff costs (excluding directors' remuneration) are approximately HK\$2,120,000 for the three months ended 31 August 2018, a 21% decrease from approximately HK\$2,676,000 for the same period last year. The decrease was mainly attributed to decrease in headcounts during the period.

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

Connected transaction in relation to issue of convertible preference shares for settlement of promissory note

On 28 August 2018, the Company had published an announcement of connected transaction in relation to issue of convertible preference shares for settlement of promissory note. On the same date, the Company entered into a convertible preference shares subscription agreement (the "Subscription Agreement") with Maximizer (the "Subscriber"), pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the convertible preference shares in the total subscription price of approximately HK\$50,699,874.20 (the "Subscription"), to be settled by the Subscriber by way of set off against the outstanding promissory note owing by the Company to the Subscriber in the total amount of approximately HK\$50,699,874.20 in full upon completion of the Subscription. Assuming all the convertible preference shares are converted in full at the initial conversion price of HK\$0.17 per convertible preference share, an aggregate of 298,234,554 conversion shares will be issued, which represent (i) approximately 99.05% of the total issued share capital of the Company as at the date of this report; and (ii) approximately 49.76% of the total issued share capital of the Company as enlarged by the issue of the conversion shares. The Company will seek a specific mandate from the independent shareholders of the Company at the special general meeting of the Company ("SGM") to be held and convened for the allotment and issue of the conversion shares.

The Company proposes the Subscription with the intention to improve the Group's financial performance by reducing the interest burden of the Group and position by reducing the Group's net current liabilities, net liabilities as well as the gearing ratio. It is expected that the completion of the Subscription will significantly improve the financial position of the Company by enlarging its capital base and reducing its liabilities.

The Company has appointed an independent financial adviser to advise the independent board committee and the independent shareholders of the Company in relation to the Subscription Agreement. Further, the independent board committee of the Company has also established by the Company comprising all the independent non-executive directors of the Company to advise the independent shareholders of the Company in connection with the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate. The SGM will be held and convened to consider and approve the Subscription Agreement and the transactions contemplated thereunder, which is subject to be approved by the independent shareholders of the Company at the SGM. For further information, please refer to the announcement of the Company on 28 August 2018.

On 20 September 2018, the Company had published an announcement to provide the shareholders with an update regarding the latest development in relation to the Subscription. For the purpose of fulfilling the public float requirement, the Company and the Subscriber are considering to enter into a supplemental agreement to amend the Subscription Agreement (the "Amended Agreement") to effect that the promissory note in the total amount of HK\$50,699,874.20 will be set off in full by the issue of (i) the convertible preference shares and (ii) the convertible bond. Further announcement(s) in respect of the Amended Agreement will be made by the Company as and when appropriate.

Operation Review

For the three months ended 31 August 2018, the unaudited turnover from Financial Solutions and Fintech Resources is approximately HK\$3,209,000, remained steady when compared to approximately HK\$3,198,000 for the same period last year. Of the total unaudited turnover, turnover of approximately HK\$2,887,000 represents sales of self-developed software, turnover of approximately HK\$223,000 was generated from Fintech resources services and revenue generated from resales of third parties' software, hardware and other products are approximately HK\$99,000. In order to maintain its competitive edge in the industry, the Group has leveraged its financial solutions research and development capabilities and continued to improve its OCTOSTP securities software. Additional value added product and service extensions were also developed during the recent years for the Exchange's launch of the "Shanghai and Hong Kong Stock Connect"; "Shenzhen and Hong Kong Stock Connect"; "Orion Central Gateway ("OCG")", "Orion Market Data Platform ("OMD")", "OTP-C Upgrades" and recent new launch "Northbound investor ID" in the coming fourth quarter. These product and service extensions are built upon and tightly integrated with the Group's core technology and provide specifically enhanced functionality.

The Group continues to strengthen its existing core business by improving its OCTOSTP through technical research and development in order to assist its customers to cope with technological challenge in the financial industry. The Group also targets to improve its turnover by sourcing and expanding its product varieties and widening its customer base. In view of the increasing demand of IT professionals in financial industry, the Group's subsidiary Maximizer Asia Limited has changed its company name to abc Fintech Recruiters Limited ("abc Fintech") with effect on 5 December 2017. abc Fintech changed its role to a Fintech resources service agent with providing IT professionals secondment and recruitment services for its customers. Pursuant to a business expansion plan that took place in 2018, the Group expanded its business channels. Revenue derived from Fintech resources services contributed positively to the Group's turnover for the three months ended 31 August 2018.

During the quarter under review, the Group expanded its customer base from securities firms to the non-financial industry customers to expand the Group's sale of financial software and third party products. For our core business OCTOSTP, the Group targets to increase its turnover from the computer hardware sales. During the third quarter 2018, the Group was able to increase the number of business partners and distributors. The Group successfully signed the business partner agreement with two computer hardware suppliers during the three months ended 31 August 2018. Further, the Group is also in close negotiation with one well known computer hardware server supplier for the resell rights of its product in Hong Kong. The Group put more focus on reselling computer hardware with a high end model to customers during the period. Although the business performance on computer hardware sales was affected by off season in the third quarter, we are closely negotiating with several customers to solve their hardware configuration requirements. The Group expects that its turnover from computer hardware will gradually gain momentum in the fourth quarter. The directors of the Company believe that expanding the relationships with business resellers will enable the Group to gain a greater market share while growing its sales revenue stream.

Prospects

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

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

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

The Group also target to strive for a better diversified business line by seeking new business opportunities in the market. To achieve the goal, the Group will engage in seeking potential partners actively to cooperate in providing more innovative business solutions. The Group will also continue to deliver our quality service, as well as to improve financial solutions products, for the continuous business growth of the Group. The directors of the Company believe that the Group has solidified its foundation by refining its operations during the period. This more efficient infrastructure will point the Group above its competition and towards a long-term profitable business model.



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

As at 31 August 2018, the interests and short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Exchange") pursuant to Rule 5.46 to 5.68 of the GEM Listing Rules were as follows:

Long positions in shares

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

Long positions in underlying shares

a) *The Company:*

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

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

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

b) *Associated Corporation:*

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

Long positions in debentures

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

Short positions in shares

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

Short positions in underlying shares

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

Short positions in debentures

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

Save as disclosed above, as at 31 August 2018, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 August 2018, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in shares

Name	Capacity	Nature of interest	Number of ordinary shares	Percentage of issued share capital
Maximizer International Limited	Beneficial owner	Corporate	177,793,941	59.05%
Pacific East Limited	Beneficial owner	Corporate	16,450,838	5.46%
DGM Trust Corporation <i>(/Note)</i>	Trustee	Corporate	194,244,779	64.51%



Note:

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

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

Short positions in shares

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

Short positions in underlying shares

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

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

AUDIT COMMITTEE

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

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

During the nine months ended 31 August 2018, 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 2018 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standard.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the nine months ended 31 August 2018, the Company has not redeemed any of its listed securities. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

By order of the Board
Joseph Chi Ho HUI
Chairman

As at the date of this report, 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, 5 October 2018