



abc*multiactive*

abc Multiactive Limited

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

2019

FIRST QUARTERLY REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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*This report, 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 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.*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The board of directors (the "Board") of the Company presents the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 28 February 2019, together with the comparative figures:

		(Unaudited)	
		For the three months ended	
		28 February 2019 HK\$'000	28 February 2018 HK\$'000
	Notes		
Turnover	3	2,643	4,355
Cost of sales		(326)	(755)
Gross profit		2,317	3,600
Software research and development and operating expenses		(774)	(1,231)
Selling and marketing expenses		(340)	(217)
Administrative expenses		(2,115)	(2,018)
Unrealised exchange loss		(3)	(3)
(Loss)/profit from operating activities	4	(915)	131
Finance costs	5	(581)	(907)
Loss before taxation		(1,496)	(776)
Income tax credit	6	80	–
Loss for the period		(1,416)	(776)

		(Unaudited)	
		For the three months ended	
		28 February 2019 HK\$'000	28 February 2018 HK\$'000
	Note		
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		(1,416)	(776)
Loss for the period attributable to owners of the Company		(1,416)	(776)
Total comprehensive loss for the period attributable to owners of the Company		(1,416)	(776)
Loss per share			
– Basic and diluted	7	HK(0.47) cents	HK(0.26) 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 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 three months ended 28 February 2019 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 2018, 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 2018. The Group has adopted, for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

Changes in accounting policies

HKFRSs and HKASs that are effective for the three months ended 28 February 2019:

HKFRS 2 (Amendments)	Classification and Measurement of Share-Based Payment Transactions ¹
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
HKFRS 9	Financial Instruments ¹
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ²
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 15 (Amendments)	Clarification to HKFRS 15 Revenue from Contracts with Customers ¹
HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle ¹
HKAS 40 (Amendments)	Transfers of Investment Property ¹
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.

Except as described below, the application of the 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 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has applied HKFRS 15 for the first time in the current period. The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 December 2018. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of accumulated losses at 1 December 2018 and comparative information has not been restated. Furthermore, under the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 December 2018. Accordingly, certain comparative information may not be comparable as comparative information continues to be reported under the previous accounting standards.

Summary of effects arising from initial application of HKFRS 15:

Consolidated statement of financial position (extract)	Previously reported as at 30 November 2018	Adjustments under HKFRS 15	Restated as at 1 December 2018
	HK\$'000	HK\$'000	HK\$'000
Current asset			
Contract costs	–	666	666
Current liability			
Other payables and accruals	(5,199)	(1,760)	(6,959)
Capital and reserves			
Reserves	(58,597)	(1,094)	(59,691)

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 licenses, 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 period is as follows:

	(Unaudited) For the three months ended	
	28 February 2019 HK\$'000	28 February 2018 HK\$'000
Turnover		
Sales of computer software licences, software rental and provision of related services	787	2,681
Provision of maintenance services	1,433	1,448
Sales of computer hardware	135	3
Provision of Fintech resources services	288	223
	2,643	4,355

4. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

	(Unaudited) For the three months ended	
	28 February 2019 HK\$'000	28 February 2018 HK\$'000
(Loss)/profit from operating activities is arrived at after charging:		
Depreciation on property, plant and equipment	60	59
Operating lease payments in respect of		
– land and buildings	645	600
– plant and equipment	7	7
Staff costs (excluding directors' remuneration)		
– salaries and allowances	2,422	2,502
– retirement benefit costs	89	81
Cost of computer hardware sold	124	2
Unrealised exchange loss	3	3
	3	3

5. FINANCE COSTS

	(Unaudited)	
	For the three months ended	
	28 February 2019 HK\$'000	28 February 2018 HK\$'000
Interest on promissory notes		
– wholly repayable within five years	–	907
Imputed interest expenses on convertible bond (Note)	581	–
	581	907

Note:

On 22 November 2018, the Company completed to issue the convertible bond to Maximizer International Limited ("MIL") in an aggregate principal amount of approximately HK\$29,700,000 for the settlement of part of promissory note. The convertible bond bear zero interest with a right to convert the principal amount into ordinary shares of HK\$0.17 per share during the period from 22 November 2018 to 21 November 2023. The convertible bond contains two components: liability and equity components. The equity component is presented in the equity heading "convertible bond reserve" in the consolidated statement of changes in equity. The effective interest rate of the debt component on initial recognition is 17.99% per annum. The liability component at 28 February 2019 is approximately HK\$13,391,000, (in which is including the imputed interest expenses of approximately HK\$581,000 for the three months ended 28 February 2019).

6. INCOME TAX CREDIT

	(Unaudited)	
	For the three months ended	
	28 February 2019 HK\$'000	28 February 2018 HK\$'000
Deferred tax		
Credit for the period (Note 9)	80	–

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 (2018: 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 was de-registered in August 2018. (2018: No provision for the PRC income taxes has been made during the period as the subsidiary operated in the PRC had no assessable profits for the period).

The Group has unaudited tax losses arising in Hong Kong of approximately HK\$67,904,000. (As at 28 February 2018: approximately HK\$65,938,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been 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 ended 28 February 2019 is based on the unaudited net loss for the period of approximately HK\$1,416,000. (For the three months ended 28 February 2018 unaudited net loss: approximately HK\$776,000) and the weighted average number of 301,108,062 ordinary shares (2018: 301,108,062 ordinary shares).

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 assumed 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 ended 28 February 2019 and 2018 were the same as the basic loss per share.

8. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 28 February 2019

	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 1 December 2017	30,111	111,078	37,600	-	-	(29)	(227,462)	(48,702)
Loss for the period	-	-	-	-	-	-	(776)	(776)
Other comprehensive income for the period	-	-	-	-	-	-	-	-
As at 28 February 2018	30,111	111,078	37,600	-	-	(29)	(228,238)	(49,478)
As at 1 December 2018	42,464	113,656	37,600	10,828	11,830	-	(232,511)	(16,133)
Impact on initial application of HKFRS 15	-	-	-	-	-	-	(1,094)	(1,094)
Restated balance as at 1 December 2018	42,464	113,656	37,600	10,828	11,830	-	(233,605)	(17,227)
Loss for the period	-	-	-	-	-	-	(1,416)	(1,416)
Other comprehensive income for the period	-	-	-	-	-	-	-	-
As at 28 February 2019	42,464	113,656	37,600	10,828	11,830	-	(235,021)	(18,643)

9. DEFERRED TAX LIABILITY

The movements on the unaudited net deferred tax liability during the period are as follows:

	Convertible bond
	HK\$'000
As at 1 December 2018	2,331
Credit to consolidated statement of profit or loss and other comprehensive income (Note 6)	(80)
As at 28 February 2019	2,251

Deferred income tax assets are recognised for tax losses carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. As at 28 February 2019, the Group has no deferred tax asset that has been recognised in respect of the unused tax losses (2018: Nil) due to unpredictability of future profit streams. As at 28 February 2019, the unaudited tax losses of approximately HK\$67,904,000 (As at 28 February 2018: approximately HK\$65,938,000) can be carried forward indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 28 February 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded an unaudited turnover of approximately HK\$2,643,000 for the three months ended 28 February 2019, decreased by 39% from approximately HK\$4,355,000 for the corresponding period last year. Of the total unaudited turnover amount, (i) approximately HK\$787,000 or 30% was generated from software license sales and professional services, (ii) approximately HK\$1,433,000 or 54% was generated from maintenance services, (iii) approximately HK\$135,000 or 5% was generated from sales of computer hardware, and (iv) approximately HK\$288,000 or 11% was generated from Fintech resources services. As at the date of this report, the Group had approximately HK\$11.3 million worth of service contracts and hardware sales contracts that were in progress. The unaudited net loss attributable to shareholders of the Company for the three months ended 28 February 2019 was approximately HK\$1,416,000, in which approximately HK\$581,000 is imputed interest expenses on convertible bond. With the exclusion of this, the net loss attributable to shareholders of the Company shall be approximately HK\$835,000, whereas the Group recorded an unaudited net loss of approximately HK\$776,000 for the corresponding period last year.

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\$3,229,000 for the three months ended 28 February 2019, decreased by 7% when compared to approximately HK\$3,466,000 for the corresponding period last year. The decrease was also due to the allocation of software research and development and operating expenses to contract costs for the ongoing contracts that are not completed as at 28 February 2019 as a result of adoption of new HKFRS15 during the period. With the elimination of this effect, the unaudited operating expenditures increased by 7% during the period when compared to the corresponding period last year. The increase was due to overall general & administrative expenditure increment during the period.

During the period, the depreciation expenses amounted to approximately HK\$60,000, remained stable when compared to that of approximately HK\$59,000 for the corresponding period last year.



During the period, the Group invested approximately HK\$774,000 in developing new modules for its OCTO Straight Through Processing system ("OCTOSTP").

The Group has no provision made for impairment of trade receivables for the three months ended 28 February 2019.

Total unaudited staff costs (excluding directors' remuneration) were approximately HK\$2,511,000 for the three months ended 28 February 2019, remained stable when compared to that of approximately HK\$2,583,000 for the corresponding period last year.

Operation Review

For the three months ended 28 February 2019, the unaudited turnover from Financial Solutions and Fintech resources was approximately HK\$2,643,000, a 39% decrease from approximately HK\$4,355,000 for the corresponding period last year. Of the total unaudited turnover, turnover of approximately HK\$2,220,000 represented sales of self-developed software, turnover of approximately HK\$288,000 was generated from Fintech resources services and turnover generated from resales of computer hardware and the third parties' products were approximately HK\$135,000. The reasons of the turnover decreases were mainly attributed to delay to sign the sales contract by customers especially in the second half year 2018 as affected by the poor performance of Hong Kong stock market and the economic uncertainties as the Group's major customers for such services were financial institutions; and the Group has also applied the new HKFRS 15 to recognise the contract sales revenue on completion basis for the three months ended 28 February 2019 rather than recognise on prorate basis for the corresponding period last year.

As at the date of this report, the Group has signed several sales contracts with a total sum of approximately HK\$3.1 million in respect of self-developed software, in which including a sale of the upgraded C# version of OCTOSTP system to one well-known Singapore brokerage firm that have local operating in Hong Kong. In addition, the Group is negotiating with a customer for the upgrade of its OCTOSTP Back Office System to C# version and is also in progress to promote this upgraded C# version to new customers.

The Group considers that its existing systems and modules of the OCTOSTP could also suit the needs of asset management houses, such as private equity and hedge fund. As such the Group will approach more asset management houses and other division of banks to broaden its customer base. During the period, the Group is negotiating with a private bank to implement its OCTOSTP bond solution.

The Group targets to strive for expanding and diversifying its business line and seeking new business opportunities to keep competition in the market to achieve growth to be one of the top priorities of the Group for 2019. During the period, the Group has cooperated with different new business partners on IT managing services, scanning and storage solutions, CCTV solutions and mobile application design services to provide more innovative business solutions to the Group. The Group has established a new sale and business product team to approach different customers to expand the customer base and to source and bring in new products. For the three months ended 28 February 2019, the Group has successfully expanded its customer base to non-financial customers and made sales of new product of CCTV solutions and hardware contract with total contract sum of approximately HK\$6,800,000, with an outstanding amount of approximately HK\$6,700,000 to be recognised upon delivered and completion.

Since 2018, the Group has started to enter into the Fintech resources service market by providing experienced and knowledgeable Fintech professionals secondment and recruitment services to our customers. During the period, the Group has completed two sales contracts with contract sum of approximately HK\$288,000 with customer. The Group is in further negotiation with customer for the provision of additional IT professional secondment services with an expectation to sign the service contract in the second quarter of 2019.

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

Prospects

The Group will place more resources in providing and improving advanced Financial Solutions and its services to fulfil customer needs and market demand. 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. We believe our products line together with professional services are technologically competitive and our business shall be benefited from the aggressive technology enhancement by the Stock Exchange and increased number of new market participant in the Hong Kong brokerage industry. During the period, the Group has successfully signed several type of sales contracts with customers from sales of upgrade its OCTOSTP system, system enhancement, secondment service and computer hardware.



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 2019. 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 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.

The Group will continue to keep up with the market trend and the industry requirements. The Group will explore new business opportunities and widen the Group's turnover stream from both existing and potential customers. The Group continue to strive for a better diversified business line by seeking new business opportunities in the market. To achieve the goal, we will engage in seeking partners actively to cooperate in providing more innovative business solutions. We will also continue to deliver our quality service, as well as to improve our financial solutions products, for the continuous business growth of the Group. We believe that the Group has solidified its foundation by refining its operations in the coming period.

SUPPLEMENTARY INFORMATION FOR THE THREE MONTHS ENDED 28 FEBRUARY 2019

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

As disclosed in the annual report of the Company for the year ended 30 November 2018, 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 will undertake the following expansion plans for its business segments.

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

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 the recent years to cope with the Stock Exchange's several new launch products in PRC and Hong Kong stock trading markets. Recently, "Northbound Investor ID" ("NB"), an investor identification regime for NB trading under the "Shanghai and Hong Kong Stock Connect" and "Shenzhen and Hong Kong Stock Connect" is newly launched. Under the NB model, "Shanghai and Hong Kong Stock Connect" and "Shenzhen and Hong Kong Stock Connect" are required to assign a Broker-to-Client Assigned Number or BCAN to each of the NB trading customers in a standard format and provide investor identification information of such customers to the Stock Exchange.

Additionally, the Group has also devoted its resources in developing the new C# version of its core brokerage settlement system (i.e. OCTOSTP). The C# version is an upgrade version of OCTOSTP Equity Back Office System to replace the old VB version. It is built upon and tightly integrated with the Group's core system and provided specifically enhanced functionality, better technical performance and more stabilization. The Group is well-positioned to further promote its upgraded system and attract new customers. At the date of this report, the Group has successfully signed a new contract for the upgraded C# version of OCTOSTP System to one well known brokerage house in Singapore that have local operation in Hong Kong.

(ii) Expansion of customer base

Historically, the Group mainly focused its sales on brokerage houses and securities division of banks in Hong Kong. The Group considers that its existing systems and modules of the OCTOSTP could also suit the needs of asset management houses, such as private equity and hedge fund. As such the Group will approach asset management houses to broaden its customer base. Additionally, the Group will also approach other division of banks. As at the date of this report, the Group is negotiating with a private bank division to implement the OCTOSTP bond solution.

(iii) Expansion of product base

In order to strengthen the Group's competitiveness, the Group has also started to develop new products, such as High Frequency Trading Engine ("HFT") and CCASS Report Generator. HFT is designed to support for high frequency trade of brokerage houses. CCASS Report Generator will act for download, storage, filtering daily report, sending simultaneous transmissions of report/statement information. Customer can control the transmission of all information within CCASS Report Generator. It will assist customer to achieve the shortest possible response time even at the highest data through-put rates, ensuring fast and efficient downloading, storage and sending the report/statement services at all time.

Historically, the Group is selling its self-developed financial solutions OCTOSTP and third-party solution software, namely FinCAD (a risk analytics and derivatives risk management software), Fortinet (an authentication solution and device), and Curtain (a document security system).

(2) 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.

(3) Sales of Computer Hardware

The Group intends to expand this segment by (i) expansion of customer base; (ii) expansion of product base; and (iii) establishment of new sales and business product team. 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 and will also to approach other departments of brokerage houses and banks.

(ii) Expansion of product base

The Group has begun to provide and develop additional diversified business solutions, such as providing the non-financial solution module, management services solutions and infrastructure services.

The Group has signed a new partnership agreement with a well-known computer hardware and IT solution supplier for the resell its rights products and IT managing service in 2018.

The Group has also cooperated with six new business partners since the beginning of year 2019 on IT managing service, scanning and storage solutions, CCTV solutions and mobile application design services to provide more innovative business solutions.

(iii) Establishment of new sales and business product team

For the three months ended 28 February 2019, the Group has established a new sale and business product team. On one hand, this new team will approach different customers to expand the customer base, and on the other hand, it will source and bring in new products to enrich the Group's product varieties. Since the establishment, cooperation with new partners for new products have been brought in by this new team.

(4) Provision of Fintech Resources Services

The Group intends to expand this segment by (i) recruitment of human resource professional; and (ii) cooperation with headhunt companies. The Group considers that a main key for this segment is to source and maintain a wide pool of IT professionals.

(i) Recruitment of human resource professional

For the three months ended 28 February 2019, 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 six recruitment agencies to source and identify more professionals for secondment and recruitment services.



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

As at 28 February 2019, 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 28 February 2019, 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 28 February 2019, 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 owns Maximizer International Limited, which holds 59.05% interest in the Company and wholly owns Pacific East Limited, which holds 5.46% interest in the Company. The City Place Trust is a discretionary trust and its beneficiaries include certain family members of Mr. Kau Mo Hui, but does not include Mr. Joseph Chi Ho Hui or Ms. Clara Hiu Ling Lam or any of their respective spouses or minor child. Mr. Kau Mo Hui is the father of Mr. Joseph Chi Ho Hui, an executive director of the Company and Mr. Samson Chi Yang Hui, the chief executive officer of the Company. Mr. Kau Mo Hui is also the father-in-law of Ms. Clara Hiu Ling Lam, an executive director of the Company.

Long positions in underlying shares

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:

- 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.
- 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. Base 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. Edwin Kim Ho Wong 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 three months ended 28 February 2019, the audit committee held a meeting 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 28 February 2019 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 three months ended 28 February 2019, 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, 11 April 2019

This report 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.