abc multiactive

abc Multiactive Limited

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

2019
INTERIM REPORT

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INTERIM RESULTS

The board of directors (the "Board") of abc Multiactive Limited (the "Company") presents the unaudited consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the three months and six months ended 31 May 2019, together with the comparative figures.

The unaudited turnover of the Group for the three months and six months ended 31 May 2019 was HK$8,519,000 and HK$11,162,000 respectively (Three months and six months ended 31 May 2018: HK$4,936,000 and HK$9,291,000 respectively). The unaudited net loss for the three months and six months ended 31 May 2019 was HK$937,000 and HK$2,353,000 respectively (Three months and six months ended 31 May 2018: net loss of approximately HK$373,000 and HK$1,149,000 respectively). Unaudited basic loss per share for the three months and six months ended 31 May 2019 was HK$0.31 cents and HK$0.78 cents respectively (Three months and six months ended 31 May 2018: basic loss per share of HK$0.12 cents and HK$0.38 cents respectively).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 May 2019

		(Unaudited) Three months ended 31 May		(Unaudited) Six months ended 31 May	
		2019	2018	**2019**	2018
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	3	**8,519**	4,936	**11,162**	9,291
Cost of sales		**(5,918)**	(1,042)	**(6,244)**	(1,797)
Gross profit		**2,601**	3,894	**4,918**	7,494
Software research and development and operating expenses		**(840)**	(1,104)	**(1,614)**	(2,335)
Selling and marketing expenses		**(267)**	(229)	**(607)**	(446)
Administrative expenses		**(1,926)**	(1,990)	**(4,041)**	(4,008)
Unrealised exchange gain/(loss)		**7**	2	**4**	(1)
(Loss)/profit from operating activities	5	**(425)**	573	**(1,340)**	704
Finance costs	6	**(594)**	(946)	**(1,175)**	(1,853)
Loss before taxation		**(1,019)**	(373)	**(2,515)**	(1,149)
Income tax credit	7	**82**	–	**162**	–
Loss for the period		**(937)**	(373)	**(2,353)**	(1,149)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Other comprehensive income for the period, net of tax		**–**	–	**–**	–
Total comprehensive loss for the period		**(937)**	(373)	**(2,353)**	(1,149)

		(Unaudited) Three months ended 31 May		(Unaudited) Six months ended 31 May	
		2019	2018	**2019**	2018
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period attributable to owners of the Company		**(937)**	(373)	**(2,353)**	(1,149)
Total comprehensive loss for the period attributable to owners of the Company		**(937)**	(373)	**(2,353)**	(1,149)
		HK cents	*HK cents*	***HK cents***	*HK cents*
Loss per share					
– Basic and diluted	9	**(0.31)**	(0.12)	**(0.78)**	(0.38)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 May 2019 and 30 November 2018

	Notes	(Unaudited) 31 May 2019 HK$'000	(Audited) 30 November 2018 HK$'000
ASSETS			
Non-current asset			
Property, plant and equipment		**271**	358
Current assets			
Trade and other receivables	10	**5,125**	2,335
Cash and cash equivalents		**559**	2,836
Contract costs		**1,154**	–
		6,838	5,171
Total assets		**7,109**	5,529
Capital and reserves			
Share capital		**42,464**	42,464
Reserves	14	**(62,044)**	(58,597)
Equity attributable to owners of the Company		**(19,580)**	(16,133)
LIABILITIES			
Non-current liabilities			
Convertible bond	16	**13,985**	12,810
Deferred tax liability	17	**2,169**	2,331
		16,154	15,141
Current liabilities			
Other payables and accruals	11	**4,515**	5,199
Deferred revenue		**795**	1,094
Amount due to a related company	13	**225**	228
Promissory note payable to a related company	12	**5,000**	–
		10,535	6,521

	(Unaudited) 31 May 2019 *HK$'000*	(Audited) 30 November 2018 *HK$'000*
Total liabilities	**26,689**	21,662
Total equity and liabilities	**7,109**	5,529
Net current liabilities	**(3,697)**	(1,350)
Total assets less current liabilities	**(3,426)**	(992)
Net liabilities	**(19,580)**	(16,133)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 May 2019

	(Unaudited) Six months ended 31 May	
	2019	2018
	HK$'000	*HK$'000*
Net cash (used in)/generated from operating activities	**(7,247)**	309
Net cash used in investing activities	**(30)**	(27)
Net cash generated from financing activities	**5,000**	–
Net (decrease)/increase in cash and cash equivalents	**(2,277)**	282
Cash and cash equivalents at the beginning of the period	**2,836**	1,660
Cash and cash equivalents at the end of the period	**559**	1,942
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**559**	1,942

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 May 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	–	–	–	–	–	–	(1,149)	(1,149)
Other comprehensive income for the period	–	–	–	–	–	–	–	–
As at 31 May 2018	30,111	111,078	37,600	–	–	(29)	(228,611)	(49,851)
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	–	–	–	–	–	–	(2,353)	(2,353)
Other comprehensive income for the period	–	–	–	–	–	–	–	–
As at 31 May 2019	**42,464**	**113,656**	**37,600**	**10,828**	**11,830**	**–**	**(235,958)**	**(19,580)**

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The unaudited consolidated results for the six months ended 31 May 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 six months ended 31 May 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 as 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 as 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 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 six months ended 31 May 2019 is as follows:

	(Unaudited) Three months ended 31 May		(Unaudited) Six months ended 31 May	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover				
Sales of computer software licences, software rental and provision of related services	**2,285**	2,175	**3,072**	4,856
Provision of maintenance services	**735**	1,572	**2,168**	3,020
Sales of computer hardware	**5,189**	800	**5,324**	803
Provision of Fintech resources services	**310**	389	**598**	612
	8,519	4,936	**11,162**	9,291

4. SEGMENT INFORMATION

The Group was engaged in two business segments, namely financial solutions ("Financial Solutions") and Fintech resources segment ("Fintech Resources"). The chief operating decision maker regularly reviews the nature of their operations and products and services. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	(Unaudited) Six months ended 31 May					
	Financial Solutions		Fintech Resources		Total	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Turnover	**10,564**	8,679	**598**	612	**11,162**	9,291
Segment results	**2,379**	4,414	**318**	299	**2,697**	4,713
Exchange gain/(loss)					**4**	(1)
Central administration costs					**(4,041)**	(4,008)
Finance costs					**(1,175)**	(1,853)
Loss before taxation					**(2,515)**	(1,149)
Income tax credit					**162**	–
Loss for the period					**(2,353)**	(1,149)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the period (2018: Nil).

Segment results represent the profit earned by each segment without allocation of exchange gain/(loss), central administration costs, finance costs and income tax credit. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Financial Solutions		Fintech Resources		Total	
	(Unaudited) Six months ended 31 May					
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities						
Segment assets	**6,665**	4,277	**60**	62	**6,725**	4,339
Unallocated assets					**384**	329
Consolidated total assets					**7,109**	4,668
Segment liabilities	**3,935**	5,867	**20**	299	**3,955**	6,166
Unallocated liabilities					**22,734**	48,353
Consolidated total liabilities					**26,689**	54,519

For the purposes of monitoring segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

All assets are allocated to reportable segments other than unallocated corporate assets (mainly include cash and cash equivalents that are used by the investment holding company and prepayments that are prepaid by the investment holding company).

All liabilities are allocated to reportable segments other than unallocated corporate liabilities (mainly include convertible bond, deferred tax liability, promissory notes and the related interest payables, other payables and accruals borne by the investment holding company).

	Financial Solutions		Fintech Resources		Total	
	(Unaudited) Six months ended 31 May					
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information						
Depreciation on property, plant and equipment	**118**	118	**–**	–	**118**	118
Capital expenditure	**30**	27	**–**	–	**30**	27

Geographical segment

The Group's revenue is generated in Hong Kong and all of the Group's non-current assets are located in Hong Kong. Accordingly, no geographical segment information is presented.

Information about major customers

Two (2) customers contributed 10% or more to the Group's revenue for the six months ended 31 May 2019 (2018: Three (3) customers).

5. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

	(Unaudited) Three months ended 31 May		(Unaudited) Six months ended 31 May	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
(Loss)/profit from operating activities is arrived at after charging:				
Depreciation on property, plant and equipment	**58**	59	**118**	118
Operating lease payments in respect of				
– land and buildings	**645**	600	**1,290**	1,200
– plant and equipment	**7**	7	**14**	14
Staff costs (excluding directors' remuneration)				
– salaries and allowances	**2,421**	2,191	**4,843**	4,693
– retirement benefit costs	**78**	75	**167**	157
Cost of computer hardware sold	**5,102**	630	**5,226**	632
Unrealised exchange loss	**–**	–	**–**	1
and after crediting:				
Unrealised exchange gain	**7**	2	**4**	–

6. FINANCE COSTS

	(Unaudited) Three months ended 31 May		(Unaudited) Six months ended 31 May	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest on promissory notes *(Note (a))*				
– wholly repayable within five years	**–**	946	**–**	1,853
Imputed interest expenses on convertible bond *(Note (b))*	**594**	–	**1,175**	–
	594	946	**1,175**	1,853

Notes:

(a) *As at 31 May 2018, the Hong Kong Dollar Denominated Promissory Note issued to Active Investments Capital Limited ("Active Investments"), a related company wholly owned by the chief executive officer of the Company, with the aggregate amount of approximately HK$40,712,000 (included principal amount of approximately HK$37,839,000 and accrued interest of approximately HK$2,873,000). The promissory note was unsecured, interest bearing at effective Hong Kong prime rate established by the Hongkong and Shanghai Banking Corporation Limited plus 3%, and maturing on 1 March 2019. During the six months ended 31 May 2018, interest of approximately HK$1,587,000 was charged to consolidated statement of profit or loss and other comprehensive income.*

As at 31 May 2018, the Hong Kong Dollar Denominated Promissory Note issued to Active Investments with the aggregate amount of approximately HK$6,841,000 (included principal amount of approximately HK$6,444,000 and accrued interest of approximately HK$397,000). The promissory note was unsecured, interest bearing at effective Hong Kong prime rate established by the Hongkong and Shanghai Banking Corporation Limited plus 3%, and maturing on 1 March 2019. During the six months ended 31 May 2018, interest of approximately HK$266,000 was charged to consolidated statement of profit or loss and other comprehensive income.

On 22 August 2018, Active Investments assigned its three promissory notes to Maximizer International Limited ("MIL"), the shareholder of the Company, in an aggregate amount of approximately HK$53,424,000 (being the initial principal amount of approximately HK$37,839,000, HK$6,444,000 and HK$5,000,000 and accrued interest of approximately HK$3,618,000 and HK$523,000 equivalent to the amount of interest accrued as at 22 August 2018.)

On 24 August 2018, the Company and MIL had further entered into agreement pursuant to which its three promissory notes were cancelled and a new non-interest bearing promissory note was issued. The accrued interest amount of approximately HK$2,724,000 from two old promissory notes for the period from 1 December 2017 to 22 August 2018 were waived by MIL on the same date. The principal amount of a new non-interest bearing promissory note was also reduced from approximately HK$53,424,000 to HK$50,700,000. The comparative figures for the three months and six months ended 31 May 2018, the interest on promissory notes included in finance costs were not restated for above waived of interest.

On 28 August 2018, the Company and MIL entered into the Convertible Preference Shares (the "CPS") and Convertible Bond (the "CB") subscription agreement (as amended and supplemented by a supplemental agreement dated 10 October 2018) (collectively, the "Subscription Agreement"). Pursuant to the Subscription Agreement, the CPS and the CB subscription price were settled fully by MIL by way of set off against the outstanding amount of the promissory note in full, being approximately HK$50,700,000 was set off in full by the issued of (i) the CPS with total subscription price of approximately HK$21,000,000 and (ii) the CB in the aggregate principal amount of approximately HK$29,700,000. The subscription was completed on 22 November 2018 and the promissory note payable to MIL was deemed to have fully settled.

(b) On 22 November 2018, the Company completed to issue the convertible bond to 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 31 May 2019 is approximately HK$13,985,000, (in which is including the imputed interest expenses of approximately HK$1,175,000 for the six months ended 31 May 2019).*(Note 16)*

7. INCOME TAX CREDIT

	(Unaudited) Three months ended		**(Unaudited) Six months ended**	
	31 May 2019	31 May 2018	**31 May 2019**	31 May 2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deferred tax				
Credit for the period *(Note 17)*	**82**	–	**162**	–

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$68,218,000. (As at 31 May 2018: approximately HK$65,509,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised due to the unpredictability of the future profit streams.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 May 2019 (2018: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company for the three months and six months ended 31 May 2019 is based on the unaudited net loss for the period of approximately HK$937,000 and HK$2,353,000 respectively (For the three months and six months ended 31 May 2018: net loss of approximately HK$373,000 and HK$1,149,000 respectively), and the weighted average number of 301,108,062 ordinary shares for both three months and six months ended 31 May 2019 (For the three months and six months ended 31 May 2018: 301,108,062 ordinary shares) in issue during the period.

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 and six months ended 31 May 2019 and 2018 were the same as the basic loss per share.

10. TRADE AND OTHER RECEIVABLES

	(Unaudited) **31 May** **2019** ***HK$'000***	(Audited) 30 November 2018 *HK$'000*
Trade receivables	**3,914**	1,047
Prepayment, deposits and other receivables	**1,211**	1,288
	5,125	2,335

The following is an aged analysis of the trade receivables (based on invoices date), net of provision of impairment loss:

	(Unaudited) **31 May** **2019** ***HK$'000***	(Audited) 30 November 2018 *HK$'000*
Current	**830**	166
31 – 60 days	**37**	6
61 – 90 days	**2,847**	–
Over 90 days	**200**	875
	3,914	1,047

The Group maintains a defined credit policy to assess the credit quality of each counterparty. The collection is closely monitored to minimise any credit risk associated with these trade receivables. The Group's trading terms with its customers are mainly based on product delivery and user acceptance. The Group allows a credit period range from 0 day to 30 days to its contract customers.

The following is an aged analysis of the trade receivables (based on invoices date) which are past due but not impaired:

	(Unaudited) 31 May 2019 *HK$'000*	(Audited) 30 November 2018 *HK$'000*
31 – 60 days	**37**	6
61 – 90 days	**2,847**	–
Over 90 days	**200**	875
	3,084	881

For the past due but not impaired trade receivables, although no collateral is held, the Group has assessed the credit worthiness, past payment history and substantial settlement after the reporting date, and considers that the amounts are still recoverable and no further credit provision is required in excess of allowance for doubtful debts. The Group seeks to maintain strict control over its outstanding trade receivables. Overdue balances are reviewed regularly by the management.

11. OTHER PAYABLES AND ACCRUALS

	(Unaudited) 31 May 2019 *HK$'000*	(Audited) 30 November 2018 *HK$'000*
Accruals	**2,893**	3,299
Receipt in advance	**425**	461
Other payables	**1,197**	1,439
	4,515	5,199

12. PROMISSORY NOTE PAYABLE TO A RELATED COMPANY

During the year ended 30 November 2018, the Group re-structured the shareholders' loan by way of set off against the outstanding promissory note in the amount of approximately HK$50,700,000 (the "Promissory Note") owing by the Group to Maximizer International Limited ("MIL") by entering into the Convertible Preference Shares (the "CPS") and Convertible Bond (the "CB") subscription agreement dated 28 August 2018 (as amended and supplemented by a supplemental agreement dated 10 October 2018) (collectively, the "Subscription Agreement") with MIL. The completion of the Subscription Agreement took place on 22 November 2018 whereupon completion, the outstanding amount of the promissory note, being approximately HK$50,700,000 was set off in full by the issue of (i) the CPS with total subscription price of approximately HK$21,000,000 and (ii) the CB in the aggregate principal amount of approximately HK$29,700,000. As a result, the promissory note was deemed to have fully settled and became void and of no effect.

On 27 March 2019, a new Hong Kong Dollar Denominated Promissory Note was issued by the Group in favour of Active Investment in the principal amount of HK$5,000,000 for the purpose of providing short-term financing to the Group. The principal sum shall bear no interest and will be matured on 30 November 2019.

The carrying amount of the promissory note is as follows:

	(Unaudited) 31 May 2019 *HK$'000*	(Audited) 30 November 2018 *HK$'000*
Promissory note payable to a related company	**5,000**	–

13. AMOUNT DUE TO A RELATED COMPANY

The amount mainly represents payables for purchases of software merchandise, royalty fee and expenses paid on behalf of the Group. The balance of amount due to a related company was interest-free, unsecured and repayable on demand for the six months ended 31 May 2019 and year ended 30 November 2018.

14. RESERVES

The amounts of the Group's unaudited reserves and the movements therein for the current and the same period of previous year are presented in the consolidated statement of changes in equity of the financial statements.

15. RELATED PARTIES TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the consolidated financial statement during the period, the Group had entered into the following significant related party transactions which were carried out on normal commercial terms and in the normal course of the Group's business:

	(Unaudited) Six months ended 31 May	
	2019	2018
	HK$'000	*HK$'000*
Interest payable to a related company on promissory notes payable *(Note 6)*	–	1,853
Consultancy fee payable to a director *(Note (a))*	–	12

Note:

(a) Consultancy fee was payable to Ms. Clara Hiu Ling Lam as the legal representative of Maximizer Asia (Shanghai) Limited, the subsidiary of the Group in the PRC. On 24 August 2018, the de-registration of Maximizer Asia (Shanghai) Limited was completed.

16. CONVERTIBLE BOND

On 22 November 2018, the Company completed to issue the convertible bond to 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 share 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 valuation of the convertible bond as at the date of initial recognition was performed by independent valuer.

The convertible bond recognised in the consolidated statement of financial position as at 31 May 2019 is as follows:

	HK$'000
Liability component as at 30 November 2018/1 December 2018	12,810
Imputed interest expenses *(Note 6)*	1,175
Liability component as at 31 May 2019	13,985

During the period, there was no conversion of the convertible bond by the MIL.

17. DEFERRED TAX LIABILITY

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

	Convertible bond
	HK$'000
As at 30 November 2018/1 December 2018	2,331
Credit to consolidated statement of profit or loss and other comprehensive income *(Note 7)*	(162)
As at 31 May 2019	2,169

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. As at 31 May 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 31 May 2019, the unaudited tax losses of approximately HK$68,218,000 (As at 31 May 2018: approximately HK$65,509,000) can be carried forward indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded an unaudited turnover of approximately HK$8,519,000 for the three months ended 31 May 2019, increased by 73% from approximately HK$4,936,000 for the corresponding period last year. Of the total unaudited turnover amount, (i) approximately HK$2,285,000 or 27% was generated from software license sales and professional services, (ii) approximately HK$735,000 or 8% was generated from maintenance services, (iii) approximately HK$5,189,000 or 61% was generated from sales of computer hardware and (iv) approximately HK$310,000 or 4% was generated from Fintech resources services. As at the date of this report, the Group had approximately HK$3.7 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 31 May 2019 was approximately HK$937,000, in which approximately HK$594,000 was imputed interest expenses on convertible bond. With the exclusion of this, the net loss attributable to shareholders of the Company shall be approximately HK$343,000, whereas the Group recorded an unaudited net loss of approximately HK$373,000 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$3,033,000 for the three months ended 31 May 2019, decreased by 9% when compared to approximately HK$3,323,000 for the corresponding period last year. The decrease was mainly due to the allocation of software research and development and operating expenses to cost of sales and contract costs for the ongoing contracts that are not completed as at 31 May 2019 as a result of adoption of new HKFRS15 during the period. With the elimination of this effect, the unaudited operating expenditures increased by 14% during the period when compared to the corresponding period last year. The increase was due to increase in headcount of research and development ("R&D") during the period. The Group hired more R&D staff so as to fill in the R&D vacancies to maintain sufficient capability and staffing to accommodate business needs and the Group's strategic initiatives ahead.

During the period, the unaudited depreciation expenses amounted to approximately HK$58,000 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$840,000 in maintenance and regular development for its OCTO Straight Through Processing system ("OCTOSTP").

The Group has no provision made for impairment of trade receivables for the three months ended 31 May 2019.

Total unaudited staff costs (excluding directors' remuneration) were approximately HK$2,499,000 for the three months ended 31 May 2019, a 10% increase from approximately HK$2,266,000 for the corresponding period last year. The increase was mainly attributed to increase in headcount during the period. The Group hired more R&D staff to fill in vacancies so that it maintains sufficient staffing to accommodate business needs and the Group's strategic initiatives ahead.

Liquidity and Financial Resources

The Group operates a conservative set of treasury policies to ensure that no unnecessary risks are taken with the Group's assets. No investments other than cash and other short-term bank deposits are currently permitted.

As at 31 May 2019 and 30 November 2018, the convertible bond to MIL, amount due to a related company and the promissory note payable to a related company were repayable as follows:

	(Unaudited) 31 May 2019 *HK$'000*	(Audited) 30 November 2018 *HK$'000*
Within 1 year	**5,225**	228
Between 1 and 2 years	**–**	–
Between 3 and 5 years	**13,985**	12,810
Wholly repayable within 5 years	**19,210**	13,038

As at 31 May 2019, the Group had outstanding of approximately CAD39,000 (approximately HK$225,000) due to Maximizer Services Inc. ("MSI"), a related company of the Company. The amount due to MSI was mainly payables for purchases of software merchandise, royalty fee and expenses paid on behalf of the Group, which was unsecured, interest free and repayable on demand.

As at 31 May 2019, the principal amount of HK$5,000,000 for the purpose of providing short-term financing to facilitate hardware sales project was advanced from Active Investments Capital Limited ("Active Investments"), a related company wholly owned by the chief executive officer of the Company, which was non-interest bearing, and maturing on 30 November 2019.

The carrying amount of the liability component of the convertible bond as at 31 May 2019 and 30 November 2018 amounted to approximately HK$13,985,000 and HK$12,810,000 respectively, which were included in non-current liabilities on the consolidated statement of financial position of the Group. *(Note 16)*

The Group expresses its gearing ratio as a percentage of borrowings and long term debts over total assets. As at 31 May 2019, the Group's gearing ratio was 2.67 (2018: 10.19).

Pledge of Assets

The Group did not have any mortgage or charge over its assets as at 31 May 2019.

Exposure to Fluctuation in Exchange Rates and Related Hedges

All the Group's assets, liabilities and transactions are denominated either in Hong Kong dollars, Renminbi or Canadian dollars. Except for the current account between the Company and its China subsidiary which is denominated in Hong Kong dollars, it is the Group's policy for each operating entity to borrow in local currencies where necessary in order to minimise currency risk.

As at 31 May 2019, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

Treasury Policy

Cash and bank deposits of the Group are either in Hong Kong dollars, Renminbi, and Canadian dollars. The Group conducts its core business transaction mainly in Hong Kong dollars, such that the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 May 2019.

Significant Investments

The Group has not held any significant investment for the three months ended 31 May 2019.

Major Events

As at 31 May 2019, the Group had no material capital commitments and no future plans for material investments or capital assets.

Employee and Remuneration Policy

The directors believe that the quality of its employees is the most important factor in sustaining the Group's growth and improving its profitability. The Group's remuneration package is structured with reference to the individual performance, working experience and prevailing salary levels in the market. In addition to basic salaries and mandatory provident fund, staff benefits include medical coverage scheme. As at 31 May 2019, the Group had employed 22 staffs in Hong Kong (2018: 17 staffs in Hong Kong). Total staff costs for the three months ended 31 May 2019 under review amounted to approximately HK$2,499,000.

As at 31 May 2019, 8 employees had completed the required number of years of service under the Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment with the Group. The Group is only liable to make such payments where termination meets the required circumstances specified in the Ordinance. The estimated unaudited maximum amount of such payment is approximately HK$392,000.

Pension Scheme

Effective from 1 December 2000, the Group joined the Mandatory Provident Fund Scheme (the "MPF Scheme") for all of its employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is registered with the Mandatory Provident Fund Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the revised rules of the MPF Scheme on 1 June 2014, the Group and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000.

The retirement benefit scheme cost charged to the consolidated statement of profit or loss and other comprehensive income represents contributions payable by the Group to the funds and is expensed as incurred. For the three months ended 31 May 2019, the unaudited retirement benefit scheme contributions borne by the Group amounted to approximately HK$78,000 (2018: approximately HK$75,000). No forfeited contribution for the Group is available to reduce the contribution payable in the future years. Contributions to the scheme vest immediately.

Operation Review

For the three months ended 31 May 2019, the unaudited turnover from Financial Solutions and Fintech resources was approximately HK$8,519,000, a 73% increase from approximately HK$4,936,000 for the corresponding period last year. Of the total unaudited turnover, turnover of approximately HK$3,020,000 represented sales of self-developed software, turnover of approximately HK$310,000 was generated from Fintech resources services and turnover generated from resales of computer hardware and the third parties' products were approximately HK$5,189,000. During the period, the Company provided professional services to existing customers to streamline and migrated functions and features of their existing systems to enhance system performance and efficiency that resulted in decrease in maintenance income due to replacement of idle functions and modules. Meanwhile, the increase of turnover was mainly attributed to increase in computer hardware sales. The Company has completed delivery of computer hardware and services to a non-financial customer and thus approximately HK$5 million was recognised in computer hardware sales during the period. The outstanding sales amount of approximately HK$1 million is expected to be recognised in the second half year of 2019 upon completion.

Although the Sino US trade argument currently appearing a slowdown sign, however, the performance of Hong Kong stock market is continuing poor and under the worldwide economic uncertainties, which has directly impact to our financial institutions customer slowdown their IT spending plan, as also effected the Group's sales performance in the past first half year of 2019. Despite this, the Group was able to sign sales contracts with several brokerage houses to implement and enhance with its OCTOSTP system which is including one major C# upgrade project. Except for this, the Group was also succeeding to expand its revenue channel on other 3rd party products and solutions to a non-financial customer group during the period.

During the period, the Group has centralized its resources in development and integration work of the upgrade C# version of OCTOSTP System project to one well-known Singapore brokerage firm for its Hong Kong operation. The first stage of development work and system integration test ("SIT Testing Criteria") has been delivered on-time with acceptance criteria by customer in accordance with the project schedule timeline. The Group is confident that we are well-equipped for the coming stages of user acceptance test ("UAT Testing Criteria") and parallel run testing of the upgrade C# version system live run.

As at 31 May 2019, the Group has signed several sales contracts with a total sum of approximately HK$4,000,000 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 operation 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 more asset management houses and other division of banks to broaden its customer base.

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, 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. During the period, the Group is preparing tender with one well-known non-profit organization that operates in Hong Kong for the provision service of wired and wireless networks equipment, upgrading the computer hardware and infrastructure to all centers. The scope of the project covers the supply, design, installation, configuration and integration. For the three months ended 31 May 2019, the Group has recognised turnover approximately HK$5,000,000 from computer hardware sales to one non-financial customer, an outstanding amount of approximately HK$1,000,000 to be recognised upon completion in the second half year of 2019.

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 since 2018. During the period, the Group has completed three service contracts with turnover sum of approximately HK$310,000 with customers. The Group is in further negotiation with customer for the provision of additional IT professional secondment services with an expectation to continue the service contract in the second half year 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 participants in the Hong Kong brokerage industry. As at the date of this report, the Group has signed a contract with a famous brokerage house to provide professional development service for its client master migration project.

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 SIX MONTHS ENDED 31 MAY 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. In the first quarter of 2019, 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. The first stage of development work and system integration test ("SIT Testing Criteria") has been on-time delivered with acceptance criteria by customer in accordance with the project schedule timeline. The Group is confident that we are well-equipped for the coming stages of user acceptance test ("UAT Testing Criteria") and parallel run testing of the upgrade C# version system live run.

(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 and banking customers to broaden its customer base.

(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"). HFT is designed to support for high frequency trade of brokerage houses; and the Group also further expanded our OCTOSTP to fulfill the needs of brokerage middle office operation. The expanded function of OCTOSTP for middle office operation is a universal platform that helps customers to improve business efficiency in the area including customer relationship management, marketing and also enhance its online customer services efficiency. In addition, the middle office module provides functions to improve brokerage house operation efficiency which covers risks and compliance management and administrative functions. Such functions include CCASS Report Generator function; CCASS Report Generator function 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. During the period, the Group is preparing tender with one well-known non-profit organization that operates in Hong Kong for the provision service of wired and wireless networks equipment, upgrading the computer hardware and infrastructure to all centers. The scope of the project covers the supply, design, installation, configuration and integration.

(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. During the period, the Group successfully engaged management services with a non-financial customer.

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

In 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 six months ended 31 May 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 seven 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 31 May 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 31 May 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 31 May 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:

1. 123,529,400 convertible preference shares were issued by the Company to Maximizer International Limited. Based on the initial conversion price of HK$0.17 per new ordinary share upon the exercise of the conversion rights attaching to each the convertible preference share, a maximum number of 123,529,400 new ordinary shares shall be allotted and issued upon full exercise of the conversion rights attaching to the convertible preference shares.

2. five-year unlisted convertible bond with nil interest rate in the principal amount of HK$29,699,876.20 was issued by the Company to Maximizer International Limited. 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 six months ended 31 May 2019, the audit committee held two meetings for the purpose of reviewing the Company's reports and financial statements, and providing advices 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 May 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 31 May 2019, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

CORPORATE GOVERNANCE CODE

The Company is committed to maintain and ensure high standards of corporate governance code. Except for the deviations as explained below, none of the directors is aware of information that would reasonably indicate that the Company is not, or was not, for any part of the accounting period for the six months ended 31 May 2019, in compliance with the Corporate Governance Code (the "CG Code") set out by the Stock Exchange in Appendix 15 to the GEM Listing Rules.

Appointments, Re-election and Removal of Director

Code provision A.4.3 of the CG Code and Report, became effective on 1 April 2012, an independent non-executive director serves more than nine (9) years, his further appointment should be subject to a separate resolution to be approved by shareholders.

Mr. Kwong Sang Liu, Mr. Edwin Kim Ho Wong and Mr. William Keith Jacobsen have served as independent non-executive directors of the Company for more than 9 years. Mr. Liu, Mr. Wong and Mr. Jacobsen have demonstrated their abilities to provide an independent view to the Company's matters. Notwithstanding their years of service as independent non-executive directors of the Company, the Board is of the view that Mr. Liu, Mr. Wong and Mr. Jacobsen are able to continue to fulfill their roles as required and thus recommends them for re-election at the annual general meeting of the Company. Further, the Company is of the view that Mr. Liu, Mr. Wong and Mr. Jacobsen meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms and guidelines. This deviated from the requirements of code provision A.4.3.

To comply with code provision A.4.3, Mr. Liu's, Mr. Wong's and Mr. Jacobsen's further appointment have been proposed and approved by the shareholders at the annual general meeting of the Company held on 3 April 2019, and are subject to a separate resolution to be approved by shareholders in each year.

Financial Reporting

Code provision C.1.2 of the CG Code and Report, became effective on 1 April 2012, stipulates that management should provide all members of the Board with monthly updates giving balanced and understandable assessment of the Company's performance, position and prospects in sufficient details.

During the six months ended 31 May 2019, rather than provide monthly updates, the management of the Company has provided to the Board quarterly updates with quarterly consolidated financial statement of the Company's performance, position and prospects in sufficient details during the regular Board meetings of the Company. In addition, the management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient information for matters brought before the Board. The management discussion and analysis prepared by management and reviewed by the Board of the directors are included in this interim report.

Internal Audit Function

Code Provision C.2.5 of the CG Code, became effective on 1 January 2016, stipulates that the Group should have an internal audit function. For the six months ended 31 May 2019, the Group does not have an internal audit function from the date of Listing since 2000. Taking into account the size, nature and complexity of the operations in the future, the Group considers that the current organization structure and management could provide adequate risk management and internal control of the Group.

The Group has established the internal control committee since 2007. The internal controls committee, comprising the executive directors, independent non-executive directors and management team of the Group are responsible to review the effectiveness of the Group's internal control system. There are established control procedures to identify, assess, control and report to each of the four major types of risks consisting of business and market risk, compliance risk, financial and treasury risk and operational risk. In addition, there is regular dialogue with the Group's external auditors so that both are aware of the significant factors which may affect their respective scope of work.

A review of the effectiveness of the Group's system of internal control covering all key controls, including financial, operational and compliance and risk management controls, is conducted annually. For the year 2019, the review bases on a framework which assesses the Group's internal control system into intangibles and intellectual property right cycle. The examination consists of enquiry, discussion and validation through observation and inspection (if necessary). The result of the review will be reported to the Board and areas of improvement, if any, will be identified and appropriate measures will be put in place to manage the risks.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 May 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	*(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, 12 July 2019