



**abc***multiactive*

abc Multiactive Limited

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

**2019**

**THIRD QUARTERLY REPORT**

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

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors of abc Multiactive Limited (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.*

## RESULTS

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

		(Unaudited)		(Unaudited)	
		Three months ended		Nine months ended	
		31 August		31 August	
		2019	2018	2019	2018
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	<b>3,006</b>	3,209	<b>14,168</b>	12,500
Cost of sales		<b>(894)</b>	(323)	<b>(7,138)</b>	(2,120)
Gross profit		<b>2,112</b>	2,886	<b>7,030</b>	10,380
Software research and development and operating expenses		<b>(599)</b>	(892)	<b>(2,213)</b>	(3,227)
Selling and marketing expenses		<b>(119)</b>	(242)	<b>(726)</b>	(688)
Administrative expenses		<b>(2,612)</b>	(2,451)	<b>(6,653)</b>	(6,459)
Unrealised exchange (loss)/gain		<b>(4)</b>	2	<b>–</b>	1
(Loss)/profit from operating activities	4	<b>(1,222)</b>	(697)	<b>(2,562)</b>	7
Finance costs	5	<b>(594)</b>	–	<b>(1,769)</b>	–
(Loss)/profit before taxation		<b>(1,816)</b>	(697)	<b>(4,331)</b>	7
Income tax credit	6	<b>82</b>	–	<b>244</b>	–
(Loss)/profit for the period		<b>(1,734)</b>	(697)	<b>(4,087)</b>	7

	(Unaudited) Three months ended 31 August		(Unaudited) Nine months ended 31 August	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Other comprehensive income				
<b><i>Items that may be reclassified subsequently to profit or loss:</i></b>				
Other comprehensive income for the period, net of tax	—	—	—	—
<b>Total comprehensive (loss)/income for the period</b>	<b>(1,734)</b>	<b>(697)</b>	<b>(4,087)</b>	<b>7</b>
(Loss)/profit for the period attributable to owners of the Company	<b>(1,734)</b>	<b>(697)</b>	<b>(4,087)</b>	<b>7</b>
Total comprehensive (loss)/income for the period attributable to owners of the Company	<b>(1,734)</b>	<b>(697)</b>	<b>(4,087)</b>	<b>7</b>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
<b>(Loss)/earnings per share</b>				
– Basic and diluted	<b>(0.576)</b>	<b>(0.231)</b>	<b>(1.357)</b>	<b>0.002</b>

Note

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## NOTES:

### 1. BASIS OF PREPARATION

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

The unaudited consolidated results for the nine months ended 31 August 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 nine months ended 31 August 2019:

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

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

<sup>2</sup> 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:

<b>Consolidated statement of financial position (extract)</b>	<b>Previously reported as at 30 November 2018</b> <i>HK\$'000</i>	<b>Adjustments under HKFRS 15</b> <i>HK\$'000</i>	<b>Restated as at 1 December 2018</b> <i>HK\$'000</i>
<b>Current asset</b>			
Contract costs	–	666	666
<b>Current liability</b>			
Other payables and accruals	(5,199)	(1,760)	(6,959)
<b>Capital and reserves</b>			
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 nine months ended 31 August 2019 is as follows:

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>31 August</b>		<b>31 August</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
<b>Turnover</b>				
Sales of computer software licences, software rental and provision of related services	<b>1,306</b>	1,427	<b>4,379</b>	6,283
Provision of maintenance services	<b>1,052</b>	1,460	<b>3,220</b>	4,480
Sales of computer hardware	<b>511</b>	99	<b>5,834</b>	902
Provision of Fintech resources services	<b>137</b>	223	<b>735</b>	835
	<b>3,006</b>	3,209	<b>14,168</b>	12,500

#### 4. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

	(Unaudited) Three months ended 31 August		(Unaudited) Nine months ended 31 August	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>(Loss)/profit from operating activities is arrived at after charging:</b>				
Depreciation on property, plant and equipment	54	61	172	179
Operating lease payments in respect of				
– land and buildings	645	645	1,935	1,845
– plant and equipment	7	7	21	21
Staff costs (excluding directors' remuneration)				
– salaries and allowances	2,109	2,058	6,952	6,751
– retirement benefit costs	71	62	238	219
Cost of computer hardware sold	509	59	5,735	691
Loss on disposal of property, plant and equipment	–	3	–	3
Unrealised exchange loss	4	–	–	–
Impairment loss on trade receivables	200	–	200	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>and after crediting:</b>				
Unrealised exchange gain	–	2	–	1
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

#### 5. FINANCE COSTS

	(Unaudited) Three months ended 31 August		(Unaudited) Nine months ended 31 August	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Interest on promissory notes (Note (a))				
– wholly repayable within five years	–	–	–	–
Imputed interest expenses on convertible bond (Note (b))	594	–	1,769	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>594</u>	<u>–</u>	<u>1,769</u>	<u>–</u>



*Notes:*

- (a) 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.

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 August 2019 is approximately HK\$14,579,000, (in which is including the imputed interest expenses of approximately HK\$1,769,000 for the nine months ended 31 August 2019)./Note 9)



**6. INCOME TAX CREDIT**

	(Unaudited) Three months ended		(Unaudited) Nine months ended	
	<b>31 August 2019 HK\$'000</b>	31 August 2018 HK\$'000	<b>31 August 2019 HK\$'000</b>	31 August 2018 HK\$'000
<b>Deferred tax</b>				
Credit for the period (Note 10)	<b>82</b>	–	<b>244</b>	–

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\$69,299,000. (As at 31 August 2018: approximately HK\$65,155,000) 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.

**7. (LOSS)/EARNINGS PER SHARE**

The calculation of basic loss per share attributable to owners of the Company for the three months and nine months ended 31 August 2019 is based on the unaudited net loss for the period of approximately HK\$1,734,000 and HK\$4,087,000 respectively (2018: the unaudited net loss for the three months ended 31 August 2018 was approximately HK\$697,000, while the unaudited net profit for the nine months ended 31 August 2018 was approximately HK\$7,000), and the weighted average number of 301,108,062 ordinary shares for both three months and nine months ended 31 August 2019 and 2018 in issue during the period.

**Diluted (loss)/earnings 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)/earnings per share for the three months and nine months ended 31 August 2019 and 2018 were the same as the basic (loss)/earnings per share.

## 8. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 August 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)
Profit for the period	-	-	-	-	-	-	7	7
Other comprehensive income for the period	-	-	-	-	-	-	-	-
As at 31 August 2018	30,111	111,078	37,600	-	-	(29)	(227,455)	(48,695)
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	-	-	-	-	-	-	(4,087)	(4,087)
Other comprehensive income for the period	-	-	-	-	-	-	-	-
As at 31 August 2019	42,464	113,656	37,600	10,828	11,830	-	(237,692)	(21,314)

## 9. 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 August 2019 is as follows:

	<b>HK\$ '000</b>
Liability component as at 30 November 2018/1 December 2018	12,810
Unaudited imputed interest expenses <i>(Note 5)</i>	1,769
	<hr/>
Liability component as at 31 August 2019	14,579
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During the period, there was no conversion of the convertible bond by the MIL.

## 10. DEFERRED TAX LIABILITY

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

	<b>Convertible bond HK\$ '000</b>
As at 30 November 2018/1 December 2018	2,331
Credit to consolidated statement of profit or loss and other comprehensive income <i>(Note 6)</i>	(244)
	<hr/>
As at 31 August 2019	2,087
	<hr/> <hr/>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31 August 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 August 2019, the unaudited tax losses of approximately HK\$69,299,000 (As at 31 August 2018: approximately HK\$65,155,000) 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 nine months ended 31 August 2019 (2018: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

The Group recorded an unaudited turnover of approximately HK\$3,006,000 for the three months ended 31 August 2019, decreased by 6% from approximately HK\$3,209,000 for the same period last year. Of the total unaudited turnover amount, (i) approximately HK\$1,306,000 or 43% was generated from software license sales and professional services, (ii) approximately HK\$1,052,000 or 35% was generated from maintenance services, (iii) approximately HK\$511,000 or 17% was generated from sales of computer hardware and (iv) approximately HK\$137,000 or 5% was generated from Fintech resources services. As at the date of this report, the Group had approximately HK\$3.2 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 August 2019 was approximately HK\$1,734,000, 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\$1,140,000, whereas the Group recorded an unaudited net loss of approximately HK\$697,000 for the corresponding period last year. During the period, the Group 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 Group has signed contracts with a non-financial customer for the provision of computer hardware and service and recognised turnover of approximately HK\$5 million upon delivery of computer hardware and services in the first half year of 2019. For the three months ended 31 August 2019, the Group has further recognised turnover of approximately HK\$500,000 for part of the work completed. The project is not yet fully completed as the Group is carrying out testing, thus the remaining sales amount of approximately HK\$500,000 is expected to be recognised in the fourth quarter of this financial year upon completion.



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\$3,330,000 for the three months ended 31 August 2019, decreased by 7% when compared to approximately HK\$3,585,000 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 August 2019 as a result of adoption of new HKFRS15 during the period. With the elimination of this effect, the unaudited operating expenditures increased by 12% 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\$54,000, decreased by 11% when comparing to approximately HK\$61,000 for the same period last year since some property, plant and equipment have been fully depreciated over its useful life.

During the period, the Group invested approximately HK\$599,000 in maintenance and regular development for its OCTO Straight Through Processing system ("OCTOSTP").

The Group has made an impairment loss of approximately HK\$200,000 on trade receivables for the three months ended 31 August 2019. The impaired trade receivable was related to a customer that it de-registered its corporate registration in Hong Kong and the Group assessed that amount was not expected to be recovered.

Total unaudited staff costs (excluding directors' remuneration) are approximately HK\$2,180,000 for the three months ended 31 August 2019, remained stable when compared to approximately HK\$2,120,000 for the same period last year.

## Operation Review

For the three months ended 31 August 2019, the unaudited turnover from Financial Solutions and Fintech resources was approximately HK\$3,006,000, decreased by 6% from approximately HK\$3,209,000 for the corresponding period last year. Of the total unaudited turnover, turnover of approximately HK\$2,358,000 represented sales of self-developed software, turnover of approximately HK\$137,000 was generated from Fintech resources services and turnover generated from resales of computer hardware and the third parties' products were approximately HK\$511,000. As affected by the further escalation of the Sino US trade conflict and recent instability in Hong Kong, the performance of Hong Kong stock market is continuing poor and investment intentions are prudent and declining, business growth of our financial institution customers is diminished. These directly impact our financial institution customers to slow down their IT spending plan. The Group and our customers have slowed down project delivery and signing of service contracts during the period. As a result, the Group has recorded a slight decrease in turnover. Nevertheless, the Group is starting to work closely with our customers for more understanding of their business plans for the coming year for well provision of our professional services to them.

Although the Group is facing stronger pressure from weakening demand and slowing global growth, the Group utilized its resources to improve existing products and develop new products aiming at maintaining its competitiveness and assisting our customers to strengthen their performance. Securities and Futures Commission (the "SFC") publishes circulars and revises its securities trading regulations from time to time to remind industry participants of regulatory requirements and provision. In order to assist brokerage houses preventing possible violation risks from the securities trading activities effectively, the Group has devoted effort in the development of our new product, "FinReg Innovative Tools", which is an innovative risk driven platform, it can assist brokerage houses to cope with "Know Your Customers" requirement, it enables brokerage houses to identify, manage and mitigate risk and manage compliance for SFC requirements through monitoring abnormal trade behavior, identifying suspicious trading activities and preventing Anti-Money Laundering fund movement. The Group has also centralised 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 in the second quarter of this year. 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. In addition, the Group has also closely working with one well-known brokerage house in the development of client master migration project.

As at 31 August 2019, the Group has signed several sales contracts with a total sum of approximately HK\$4.7 million in respect of self-developed software with several brokerage houses to implement and enhance with its OCTOSTP system which is 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. 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.

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. Therefore, the Group is going to carry out marketing campaigns through holding seminars and participating in exhibitions to actively approach new and potential customers. On 4 September 2019, the Stock Exchange hosted a seminar on the Stock Exchange's upcoming trading and clearing initiatives which including Fintech for market surveillance, market microstructure enhancements in the securities market, Next Generation Risks Models and relevant technical preparation. As the Stock Exchange's system vendor, the Group was invited by the Stock Exchange to the seminar. Immediately after the Stock Exchange's seminar, the Group cooperated with one well-known global cyber security company and hosted the "FinReg" Innovative Solution and Cyber Security Seminar on 27 September 2019. By providing opportunities for customers to experience and interact with the Group face to face for recent financial market updates and information about our products and services, the Group is confident that we can attract more potential customers and make positive contribution to the Group's revenue and profitability.

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. For the three months ended 31 August 2019, the Group has completed two service contracts with turnover sum of approximately HK\$137,000 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 fourth quarter of this financial year.

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 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 NINE MONTHS  
ENDED 31 AUGUST 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.

To broaden our customer base, the Group participated in the Stock Exchange's seminar on 4 September 2019 on the Stock Exchange's upcoming trading and clearing initiatives which including Fintech for market surveillance, market microstructure enhancements in the securities market, Next Generation Risks Models and relevant technical preparation. As the Stock Exchange's system vendor, the Group was invited by the Stock Exchange to the seminar. Immediately after the Stock Exchange's seminar, the Group cooperated with one well-known global cyber security company and hosted the "FinReg" Innovative Solution and Cyber Security Seminar on 27 September 2019 to promote its newly launched "FinReg Innovative Tools" to brokerage houses and assets management houses.



(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. The Group also further expanded our OCTOSTP to fulfill the needs of brokerage middle office operation. The Group has also dedicated resources to develop "FinReg Innovative Tools" which helps customers deal with risk management and compliance of regulatory rules related to securities trading activities with automation and efficiencies. 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 risk 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.

#### *(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 cooperated with eight 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 nine months ended 31 August 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.

During the period, except for continuing Fintech resources services provided to the existing customer, the Group is negotiating with another one new customer for the provision of secondment services to its information and technology department.

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

As at 31 August 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 August 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 August 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 do not include Mr. Joseph Chi Ho Hui or Ms. Clara Hiu Ling Lam or any of their respective spouses or minor child. Mr. Kau Mo Hui is the father of Mr. Joseph Chi Ho Hui, an executive director of the Company, and Mr. Samson Chi Yang Hui, the chief executive officer of the Company. Mr. Kau Mo Hui is also the father-in-law of Ms. Clara Hiu Ling Lam, an executive director of the Company.

### Long positions in underlying shares

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. Based 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 nine months ended 31 August 2019, the audit committee held three meetings for the purpose of reviewing the Company’s reports and financial statements, and providing advice and recommendations to the Board of directors. The minutes of the audit committee meeting are kept by the company secretary.

The Group’s unaudited results for the three months ended 31 August 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 nine months ended 31 August 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 October 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](http://www.hklistco.com).*