



**abc**multiactive

abc Multiactive Limited

## Annual Report 2000



## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on the GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on the GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of the GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on the GEM, there is a risk that securities traded on the 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 the GEM.

The principal means of information dissemination on the GEM is publication on the Internet website operated by the Stock Exchange. Companies listed on the GEM are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on the GEM-listed issuers.

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### Executive Directors

Mr. Terence Chi Yan Hui  
Mr. Anthony Wai Hung Au  
Mr. Joseph Chi Ho Hui

### Non-executive Directors

Mr. Kau Mo Hui

### Independent Non-executive Directors

Mr. Clifford Sau Man Ng  
Mr. Ronald Kwok Fai Poon

### Registered Office

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### Head office and principal place of business

1st Floor, AON China Building  
29 Queen's Road Central  
Central  
Hong Kong

### Website

<http://www.abcmultiactive.com>

### Compliance Officer

Mr. Anthony Wai Hung AU

### Qualified Accountant

Mr. Andy Chiu POON

### Company Secretary

Mr. Danny Che Wah LAM, ACS, ACIS

### Authorised Representatives

Mr. Anthony Wai Hung AU  
Mr. Terence Chi Yan HUI

### Members of the Audit Committee

Mr. Clifford Sau Man NG  
Mr. Ronald Kwok Fai POON

### Bermuda Resident Representative

Mr. John Charles Ross COLLIS

### Bermuda Deputy Resident Representative

Mr. Anthony Devon Whaley

### Stock Code

8131

### Auditors

PricewaterhouseCoopers

### Principal Banker

The Hong Kong and Shanghai Banking  
Corporation Limited

### Bermuda Principal Share Registrar and Transfer Office

Butterfield Corporate Services Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

### Hong Kong Branch Share Registrar and Transfer Office

Abacus Share Registrars Limited  
2401 Prince's Building  
Central  
Hong Kong

**NOTICE IS HEREBY GIVEN** that the first Annual General Meeting of abc Multiactive Limited (the "Company") will be held at 1st Floor, AON China Building, 29 Queen's Road, Central, Hong Kong on Monday, 26th March 2001 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated accounts and the reports of the Directors and auditors for the period from 2nd March 2000 (date of incorporation) to 30th November 2000;
2. To re-elect retiring director and to fix the remuneration of the directors;
3. To re-appoint auditors and to authorise the board of directors to fix their remuneration;
4. As special business, to consider and, if thought fit, to pass the following resolutions as ordinary resolutions of the Company:

(A) "THAT

- (i) subject to sub-paragraph (ii) of this resolution, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares) which might require the exercise of such powers either during or after the Relevant Period, be and is hereby generally and unconditionally approved.
- (ii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in sub-paragraph (i) of this resolution, otherwise than pursuant to (a) a Rights Issue (as defined below), (b) the exercise of warrants to subscribe for shares of the Company or the exercise of options granted under any ordinary share option scheme adopted by the Company, or (c) an issue of shares of the Company in lieu of whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and this approval shall be limited accordingly; and
- (iii) for the purpose of this resolution:

"Relevant Period" means the period from the date of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting.

“Rights Issue” means offer of shares of the Company open for a period fixed by the Directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to overseas shareholders or fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

(B) **“THAT**

- (i) subject to paragraph (ii) below, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all powers of the Company to repurchase issued shares in the capital of the Company on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, subject to and in connection with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the GEM or of any other stock exchange as amended from time to time, be and the same is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of shares of the Company which the Company is authorised to repurchase pursuant to the approval in sub-paragraph (i) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and this approval shall be limited accordingly; and
- (iii) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (c) the date on which the authority sets out for this resolution is revoked or varied by an ordinary resolution in general meeting.”

- (C) **“THAT** conditional upon ordinary resolutions nos. 4(A) and 4(B) above being passed, the aggregate nominal amount of shares of the Company which are repurchased by the Company under the authority granted to the directors of the Company as mentioned in ordinary resolution nos. 4(B) above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to ordinary resolution no. 4(A) above.”

By Order of the Board  
**Lam Che Wah, Danny**  
Company Secretary

Hong Kong, 26th February, 2001

*Registered Office:*  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Principal place of business:*  
1st Floor,  
AON China Building  
29 Queen's Road Central  
Central  
Hong Kong

*Notes:*

- (i) A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (ii) In order to be valid, the proxy form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such power or authority), must be delivered to the Company's branch share registrar and transfer office in Hong Kong, Abacus Share Registrars Limited at 2401, Prince's Building, Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.
- (iii) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (iv) The register of members of the Company will be closed from 22nd to 26th March 2001, both days inclusive, during which period no transfer of Shares will be effected. All transfer document accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Abacus Share Registrars Limited at 2401, Prince's Building, Central, Hong Kong not later than 4:00 p.m. on 21st March 2001.
- (v) An Explanatory Statement containing further details regarding ordinary resolution no.4(B) as required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange will be despatched to the members of the Company together with the 2000 annual report.

The global capital market's reaction to the Internet in the past 24 months will long be talked about as part of financial market history. In the last few months, we saw the rapid de-valuation of "new economy" only companies worldwide as they failed to develop a sustainable business model. Some of these companies will also lose their "exclusive" edge as their traditional counterpart continues to add "new economy" components to their customer infrastructure. Soon, everyone will realize that they are competing in the "customer economy".

The Group does not operate under a "new economy" business model, but for companies who want to transit to the "customer economy", we can serve as their bridge. Our software business models have been around for many years and certain parts of our operation have been around for over 20 years.

Last year was a period of significant change for us. An important milestone was marked by the consummation of abc Multiactive (Hong Kong) Limited and Multiactive Software Pty Limited to form a regional software company under the name abc Multiactive Limited. In addition to the integration of the two operations, we have made investments in infrastructure for growth, including setting up Hong Kong as the headquarter for the Asia Pacific region, expansion of the Singapore operation and starting of an office in Shanghai. The combined company is now a regional operation with sales offices in Australia, China, Singapore and Hong Kong. The research and development functions of the Group are located at its headquarter in Hong Kong.

We offer two lines of products covering the security brokerage (the e-finance products) and customer relationship management ("CRM") (the e-business products). The e-finance products offer front office and back office solutions to the security brokerage industry. We are one of the first solution providers whose product passed the AMS/3 test on 10th November 2000. Based on over 20 years of experience in this industry, we focus on growth opportunities offered by the transition to AMS/3, the growing demand of global securities trading and the increasing demand for Internet trading in 2001.

Our e-business/CRM products help us attract and retain customers through better management of customer information. Our products also have the ability to help an enterprise to put its customer processes on the web and on wireless devices. Our e-business/CRM products received a number of awards in the past few years. Last year, we initiated localization of some of these award winning products for the Chinese market. In 2001, the focus for these e-business/CRM products will be on sales growth by leveraging our sales offices in the Asia Pacific region.

Another key achievement in the year 2000 was the completion of the work leading to the listing of abc Multiactive Limited on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited in January 2001. I would like to thank all the parties involved including the underwriters, all the professionals and our staff for their efforts. During the period, we also raised additional capital to finance our growth via private investors.

In this coming year, a tighter capital market will serve to consolidate the market space which favour players with an established track record and solid fundamentals. It will also mean that companies have to plan to fund their growth and operation through existing cash resources or internally generated cash flow. In 2001, we will continue to solidify our fundamentals by refining our operations and developing our sales organisation. Based on the high gross margin nature of software license business, our ability to leverage on our regional sales offices and operate in a cost effectively manner will be crucial to drive towards profitability. Focusing on fundamentals at times like this will be essential to build a long-term business to capture growth opportunities in our sectors.



On behalf of the board, I would like to thank our dedicated team, customers, shareholders and other stakeholders who have contributed to the success of our company for their support.

**Terence Chi Yan Hui**  
*Chairman*

26th February 2001

### Operations Review of the Group

abc Multiactive Limited (the "Company") was incorporated in Bermuda on 2nd March 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. During the period, the Company acquired the entire issued share capital of abc Multiactive (Hong Kong) Limited ("abc HK"). The acquisition was completed with effect on 1st March 2000. There are no comparative financial statements of the Group available for the period from 2nd March 2000 to 30th November 2000. Turnover of the Group reached about HK\$25.2 million for the period from 2nd March 2000 to 30th November 2000. The amount included abc HK's turnover since 2nd March 2000. Turnover from the sales of e-finance products generated the majority of the Group's revenue, representing 54% of total turnover. Cost of sales as percentage of turnover amounted to approximately 27%. The loss attributable to shareholders for the period was HK\$20.6 million.

During the period, the Group relocated the Hong Kong office to cope with the growth in operations. The Group also commenced sales and marketing activities for e-business products in Hong Kong by recruiting additional sales personnel, appointing regional distributors, and forming product bundling agreements with business partners. The e-business applications software were designed and developed by Multiactive Software Inc., the ultimate holding company of the Group, under the brand names **Entice!**, **Maximizer**, and **ecBuilder**. These products focus primarily on Customer Relationship Management enabling users to collect, track, analyse and manage information for the customisation of sales, marketing, and customer service processes.

The Group's marketing activities during the period focused on organizing seminars to brokerage firms and participation in financial trade shows in relation to the upgrade by the Stock Exchange of Hong Kong Limited (the "Stock Exchange") to AMS/3. On 10th November 2000, the Group achieved a major milestone when its Octo e-finance products successfully interfaced with the Stock Exchange launch of AMS/3.

### Operations Review of the pro forma Combined Group

Subsequent to 30th November 2000, abc Multiactive Limited completed an reorganisation whereby two shares of Multiactive Software Pte Ltd ("MSSL") were transferred by Multiactive Software Pty Limited ("MSPL") to the Company for a cash consideration of S\$2.00 on 16th December 2000 and the Company subscribed for 99,988 shares in MSPL representing 99.98% of MSPL's shares on 22nd January 2001. On completion of the reorganisation, the Company became the holding company of the Group. The pro forma combined profit and loss account of the Group set out in the Supplemental Unaudited Financial Information section of the annual report is prepared on a combined basis as if the current group structure had been in existence throughout the year ended 30th November 2000, except for abc HK, which was acquired by the Company with effect from 1st March 2000 and its results are consolidated by the Company with effect from 1st March 2000.

For the year ended 30th November 2000, pro forma combined results of the Group which includes the operations results of abc HK, MSSL, and MSPL, reached about HK\$33.7 million. The amount was attributable to the overall sales strategy to focus more on the enterprise products of the Company. Cost of sales as percentage of turnover amounted to approximately 21%.

In order to meet the goal of becoming the leading e-business software solutions provider in Asia, additional manpower was added throughout the year. The Group increased its emphasis on sales and marketing by recruiting additional sales personnel and expanding the marketing department to provide support in the areas of public relations and product marketing. The focus of the Company's marketing efforts has been on organisation of monthly seminars and participation in trade shows. The Company also strengthened the sales force and management team in Australia by appointing a new managing director and sales director with extensive experience in the IT industry and in the sales and distribution of CRM products. During the year, the Company relocated the Singapore office to cope with the growth in operations and transferred an experienced sales director from Australia to Singapore to provide the sales personnel with appropriate training in sales techniques and to maintain the focus on the Company's corporate culture.

During the year, the Group increased its emphasis on software development and customisation by refining its research and development department and creating separate divisions for customer service, quality assurance, research and development, and professional services to achieve optimal results through specialization in these areas. As of today, the Group employed a total work force of 135 people.

### Prospects

For the period ended 30th November 2000, the Group has established operations in Hong Kong as the headquarter and support center for its sales and marketing operations in the Asia Pacific region. The directors believe that the competitive advantage of the Group is its regional operations versus the local operations of other companies. The Group is working towards establishing an extensive operation and distribution network throughout the Asia Pacific region which will cover Australia, New Zealand, Greater China, Malaysia, India, Indonesia, Korea, Singapore, Japan and Hong Kong. With the continuous expansion of the Group, the Directors believe that the Group now has a solid base for Greater China and Asia Pacific penetration. The Group has already tentatively identified the location of a new office in Shanghai and is working towards the opening of this operation by the 2nd quarter of 2001.

The Group's Octo products provides detailed and real-time reports on every transaction for management, clients, and stock exchanges, as well as enabling a wide range of controls for order routing and credit control for the securities industry. The Directors believe that the launch of AMS/3 by the Stock Exchange will make the Octo products essential as the securities industry shifts to a real time front office system that can provide credit control, integrated real-time position for all clients, and straight through processing that can integrate the front office with the back office system. The Group will continue to carry on the business of development and distribution of software solutions, based on its existing line of products, to provide advanced software solutions for the securities industry.

The Directors believe that its existing technology provides the Group with a solid foundation for fast capture of market share in the e-business arena. The Directors also believe that further development of its core products is central to its success. Initial research and development in the upcoming year will be in two main areas: localisation of the e-business and e-finance products for the different markets in the Asia Pacific region and integration of the e-business and e-finance products. The directors believe that with the proliferation of Internet web sites and growing number of Internet users, the trend for increasing e-commerce activities will continue. As a result, the Directors believe that the e-business sectors in which the Group covers are high growth areas that will further accelerate its growth.

### DIRECTORS

#### Executive directors

**Mr. Terence Chi Yan HUI**, aged 37, Chairman of the Company and responsible for the strategic direction of the Company, was born in Hong Kong and received his undergraduate degree in Physics from the University of California - Berkeley, USA and earned a Masters of Science degree in Electrical Engineering from Santa Clara University in California, USA. Mr. Hui joined Multiactive Software Pty Limited in September 1997.

Mr. Hui is the Chairman of the Vancouver-based, Multiactive Software Inc., a Toronto Stock Exchange, listed company and a number of Internet companies. Mr. Hui and his family effectively control approximately 70% of Multiactive Software Inc.. Mr. Hui is also the President and CEO of Concord Pacific Group Inc., a Toronto Stock Exchange listed company. Concord Pacific Group Inc., is the developer of the C\$3 billion Concord Place project on old Expo lands in Vancouver, Canada and the C\$1.5 billion CityPlace project in Toronto.

Mr. Hui was appointed by the Prime Minister of Canada to represent Canada on the APEC Business Advisory Council from 1996-1997. Mr. Hui is a member of the board of directors of Husky Oil Limited; he also serves on the Advisory Council to the University of British Columbia Faculty of Commerce and Business Administration and is a member of the B.C. Business Council Board of Governors.

**Mr. Anthony Wai Hung AU**, aged 49, Group Managing Director of abc Multiactive, has been one of the pioneers in the growth of Hong Kong's information technology industry for over a quarter of a century. Mr. Au joined abc Multiactive in March 2000.

Mr. Au received his B.Sc. degree in Industrial Engineering from Rochester Institute of Technology, USA. He was selected by the Hong Kong Institute of Industrial Engineers as one of the 1999-2000 Top Ten Industrial Engineers, and by Barons as one of The Asia 500 Leaders for the New Century.

Mr. Au began his career as a Field Engineer with Rochester Xerox during the world energy crisis. He returned to Hong Kong in 1974 and has been working on technology for the securities and investment market. In 1999, Mr. Au was appointed to serve in the Financial Secretary's Financial Information Infrastructure Steering Committee.

Mr. Au is President of South East Asia Information Technology Organization; President of HK Information Technology Federation; Chairman of the HK Coalition of Services Industries Information Services Committee; Chairman of HK Article Numbering Association and Electronic Commerce Board; a Member of the Education and Manpower Bureau, the Curriculum Development Council, the Examination Authority and the Employees Retraining Board.

**Mr. Joseph Chi Ho HUI**, aged 30, joined the Company as executive director on 8th November 2000. Mr. Hui was born in Hong Kong and received his undergraduate degree in Electrical Engineering from University of British Columbia - Vancouver, BC, Canada and earned a Masters of Science degree in Electrical Engineering from Stanford University - California, US. Mr. Hui is the Development Manager of Multiactive Software Inc where he is responsible for directing the vision and development of the e-Commerce line of products. Mr. Hui is the brother of Mr. Terence Chi Yan Hui, chairman of abc Multiactive. Mr. Hui has been a director of MSPL since June 1997.

### **Non-executive directors**

**Mr. Kau Mo HUI**, aged 67, is a director of abc Multiactive Limited, and also the Chairman of Wing Hong Construction Company Limited. Wing Hong Construction Company is a privately held company and its principal business is real estate development. Mr. Hui became a non-executive Director in March 2000. Mr. Hui is the father of Mr. Terence Chi Yan Hui and Mr. Joseph Chi Ho Hui, the chairman and an executive Director of the Company respectively. Mr. Hui joined the Company on 18th March 2000.

### **Independent non-executive directors**

**Mr. Clifford Sau Man NG**, aged 34, is a corporate lawyer and managing director of the Hong Kong office of a Canadian law firm. Mr. Ng became an independent Director in September 2000. Mr. Ng was born in Hong Kong and received his B.A. in Economics from the University of British Columbia, Canada and his LL.B. from Dalhousie Law School, Canada.

**Mr. Ronald Kwok Fai POON**, aged 51, is a solicitor and notary public practising in Hong Kong with over 19 years of experience in the legal profession. Mr. Poon became an independent non-executive Director in September 2000.

## **SENIOR MANAGEMENT**

**Mr. Alon Wah Pak LI**, aged 44, is President and head of Sales and Marketing and the Implementation and Support Department of abc Multiactive Limited. Mr. Li brings abc Multiactive extensive experience in the software industry through his previous position as the Managing Director of the Asia Pacific Operations for QAD Inc. Mr. Li, has more than 21 years of working experience in Hong Kong and Canada. He has spent 18 years in information technology, with the last 11 years spent in senior management roles. Most recently, Alon was the Managing Director for QAD Asia Ltd., and was responsible for sales and operations in 12 countries across the Asia Region. Before joining QAD, Alon was the Asian Regional Manager for Synon Asia Ltd. Prior to that he held several senior management positions at CSSL HK Ltd. and PAL System Ltd. Alon Wah Pak Li joined the Company in July 2000.

**Mr. Andy Chiu POON**, aged 50, Chief Financial Officer and head of the Finance and Administration department at abc Multiactive Limited, is a fellow member of the Chartered Association of Certified Accountants and the Hong Kong Society of Accountants. Mr. Poon is a seasoned financial professional with extensive experience in the high-tech, wine and spirits and C.P.A. industries in the Asia Pacific and Greater China regions. He specialises in the sales operations, business acquisition and merger and system development. Prior to joining abc Multiactive on 12th April, 2000, he worked for Brightpoint China Ltd. as the Director of Finance, North Asia, Seagram Asia Pacific as the Director - Finance Shared Services Center, Greater China and Commercial Software Services Limited as the Group Financial Controller. In Seagram, Greater China, he was a key executive in developing the Finance Shared Services Center for Greater China to support the business units in the region. In Commercial Software Services, he was a leader in the financial operations working with the group managing director in developing the corporate structures and the expansion of business in Asia Pacific, including the acquisitions and mergers of businesses.

**Mr. Peter Kam Sing TONG**, aged 42, Chief Technology Officer and head of the Research and Development department at abc Multiactive holds a B.Sc. degree in Computer & Information Systems from the University of London, England and is an associate member of the Chartered Institute of Bankers. In 1995, he qualified as a Microsoft Certified System Engineer and a Microsoft Certified Solution Developer. He co-founded the Hong Kong Microsoft Users Group in 1994 to promote the "users helping users" concept when the Microsoft office was initially setup in Hong Kong. Mr. Tong has 18 years of experience in managing information technology projects. He specialises in the banking, finance and the commerce sector and has worked for Dah Sing Bank and ANZ Banking Group amongst others. In March 1994, he joined ABC Data & Telecom Limited as Project Director and headed the A-STAR Project for Nomura Research Institute of Japan before leaving ABC Data & Telecom Limited in September 1995. Peter Tong re-joined abc Multiactive in May 2000.

The Directors submit their first report together with the audited accounts for the period from 2nd March to 30th November 2000.

## Group reorganisation

abc Multiactive Limited (the "Company") was incorporated in Bermuda on 2nd March 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda.

Pursuant to a group reorganisation (the "Reorganisation") that was completed on 22nd January 2001 to rationalise the group structure in preparation for the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM"), the Company became the holding company of the subsidiaries listed under note 13 to the accounts. The above Reorganisation has not been reflected in the accounts for the period ended 30th November 2000 as the Reorganisation was completed subsequent to 30th November 2000. The basis of presentation and consolidation for these accounts is set out in note 1 to the accounts.

To facilitate comparison of the results of the Group with that presented in the accountant's report to the prospectus of the Company dated 22nd January 2001, set out in the supplementary unaudited financial information is the unaudited pro forma financial information of the Group prepared on the basis consistent with that adopted in the accountants' report included in appendix I to the prospectus of the Company dated 22nd January 2001. The shares of the Company were listed on the GEM on 31st January 2001.

## Principal activities and geographical analysis of operations

As at 30th November 2000, the principal activity of the Company is investment holding and the principal activities of its subsidiary is set out in note 13 to the accounts. An analysis of the group's turnover and contribution to trading profit/(loss) by principal activities and geographical location is set out below:

	Turnover <i>HK\$'000</i>	Contribution to trading profit/(loss) <i>HK\$'000</i>
By principal activities:		
Sales of software licences	20,050	5,728
Services and maintenance	4,071	(2,727)
Sales of hardware	1,092	127
	<u>25,213</u>	<u>3,128</u>
Other expenses		<u>(23,766)</u>
Loss for the period		<u>(20,638)</u>

	Turnover <i>HK\$'000</i>	Contribution to trading profit/(loss) <i>HK\$'000</i>
By geographical location:		
Hong Kong	25,113	(20,638)
Indonesia	100	—
	<u>25,213</u>	<u>(20,638)</u>

## Results

The results for the period are set out in the consolidated profit and loss account on page 23.

## Dividends

The Directors do not recommend the payment of a dividend.

## Reserves

Movements in the reserves of the Group and the Company during the period are set out in note 19 to the accounts.

## Donations

The Group did not make any charitable donations during the period.

## Fixed assets

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

## Share capital

Details of the movements in share capital of the Company are set out in note 18 to the accounts.

## Pre-emptive rights

There is no provision for pre-emptive rights under the Company Bye-laws and there was no restriction against such rights under the laws of Bermuda.

## Distributable reserves

As of 30th November 2000, the Company had distributable reserves which amounted to HK\$38,576,000.



## Financial summary

A summary of the results of the Group for the period from 2nd March 2000 (date of incorporation) to 30th November 2000 and of the assets and liabilities of the Group as at 30th November 2000 is set out below:

	<b>Period from 2nd March 2000 (date of Incorporation) to 30th November 2000</b> <i>HK\$000</i>
Turnover	25,213
Loss for the period	(20,638)
	<b>30th November 2000</b> <i>HK\$000</i>
Total assets	92,738
Total liabilities	(21,576)
Net assets	71,162

The turnover, loss for the period, total assets and total liabilities of the Group shown above have been prepared on the basis set out in note 1 to the accounts. No financial summary has been presented for the period prior to the incorporation of the Company as neither the Company nor the Group was established.

## Purchase, sale or redemption of shares

Pursuant to an agreement dated 20th November 2000, 50,000,000 shares of nominal value HK\$0.005 each of the Company were repurchased by way of private arrangement from Success Wealth Ltd. by the Company for a consideration of HK\$17.5 million and the repurchased shares were then duly cancelled. The principal reason for the share buyback was to ensure that a sufficient percentage of the share capital of the Company would be in the hands of public upon listing.

Save as disclosed above, the Company has not redeemed any of its shares during the period. Neither the Company nor its subsidiary has purchased or sold any of the Company's shares during the period.

## Subsidiaries

Details of the Company's subsidiary at 30th November 2000 are set out in note 13 to the accounts.

## Borrowings

The Group has no bank borrowings except for obligations under finance leases as set out in note 20 to the accounts.

## Directors and Director's Service Contracts

The directors who held office during the period and up to the date of this report were:

Name of Directors	Position	Date of Appointment	Date of Resignation
Mr. Terence Chi Yan Hui	Executive Director & Chairman	8th March 2000	—
Mr. Anthony Wai Hung Au	Executive Director & Group Managing Director	8th March 2000	—
Mr. Joseph Chi Ho Hui	Executive Director	8th November 2000	—
Mr. Craig Colin Watts	Executive Director	14th September 2000	8th November 2000
Mr. Charles Kwok Keung Chan	Non-executive Director	8th March 2000	13th November 2000
Mr. Kau Mo Hui	Non-executive Director	8th March 2000	—
Mr. Ronald Kwok Fai Poon	Independent non-executive Director	11th September 2000	—
Mr. Clifford Sau Man Ng	Independent non-executive Director	11th September 2000	—

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Kau Mo Hui retires by rotation and, being eligible, offers himself for re-election.

The term of office of each of the independent non-executive director is for an indefinite term.

## Particulars of Service Agreements

Each of Mr. Terence Chi Yan Hui, Mr. Anthony Wai Hung Au and Mr. Joseph Chi Ho Hui has entered into a service agreement with the Company. The particulars of these agreements, except as indicated, are in all respects identical and set out below:

Each such person is appointed under his agreement as an executive director for a term of two years (except for Mr. Anthony Wai Hung Au who has been appointed for five years) commencing on the date of his appointment as a director. Each appointment shall continue thereafter for such further term as the parties shall agree. Mr. Anthony Wai Hung Au is required to work full time for the Group. Mr. Terence Chi Yan Hui and Mr. Joseph Hui are required to devote the time and attention as necessary from time to time for the strategic development of the Group.

Upon termination of the employment due to the expiration of the contract, resignation otherwise, the relevant director will lend all reasonable assistance to the Company to clear up and complete any outstanding matters relating to the Company's affairs.

Mr. Anthony Wai Hung Au will be entitled to receive a salary of HK\$150,000 per month for the year payable monthly in arrears for the period of each agreement or other amount as agreed between Mr. Anthony Wai Hung Au and the Board of Directors from time to time. Mr. Terence Chi Yan Hui and Mr. Joseph Chi Ho Hui are not entitled to receive any salary under the service agreement.

The Company has not set a cap as to the amount that can be paid to the executive directors but any changes to the salary of each executive director must be reviewed and approved by the Board of Directors with the relevant Director abstaining from voting. The executive directors are not entitled to any bonus other than salary.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than the statutory compensation.

### **Biographical details of Directors and senior management**

Biographical details of Directors and senior management are set out on pages 10 to 12.

### **Directors' interests in contracts**

During the period, abc Multiactive Limited acquired 70% equity interest in abc Multiactive (Hong Kong) Limited for a consideration of HK\$60 million from Asian 2000 Limited, a company beneficially owned by Mr. Anthony Wai Hung Au, an executive director of the Company, with effect on 1st March 2000. The remaining 30% equity interest in abc Multiactive (Hong Kong) Limited was subsequently acquired by abc Multiactive Limited from Asian 2000 Limited for a consideration of HK\$1.25 million with effect on 1st March 2000. Mr. Anthony Wai Hung Au is interested in this transaction to the extent that he is a beneficial shareholder of Asian 2000 Limited. Mr. Terence Chi Yan Hui is interested in this transaction to the extent that he is the Chairman of Multiactive Software Inc. and that approximately 70% of the issued shares of Multiactive Software Inc. is beneficially owned indirectly by the members of the family of Mr. Terence Chi Yan Hui.

Royalties were paid to Multiactive Software Inc. on e-business products for which Multiactive Software Inc. developed the source code. Royalty was charged at approximately 33% of the turnover of e-business products. For the period from 2nd March 2000 to 30th November 2000, royalty expenses for the Group amounted to HK\$3,765,000. Mr. Terence Chi Yan Hui is interested in this transaction to the extent that he is the Chairman of Multiactive Software Inc. and that approximately 70% of the issued shares of Multiactive Software Inc. is beneficially owned by the members of the family of Mr. Terence Chi Yan Hui.

Except as disclosed above, there were no contracts of significance to which the Company or its holding companies or any of its fellow subsidiaries or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, which subsisted at the end of the period or at any time during the period.

### **Sponsor's Interests**

As at 30th November 2000, neither BNP Paribas Peregrine Capital Limited ("BNP") nor its directors or employees or associates, had any interests in the Company's share capital.

### **Connected transactions**

Connected transactions require to be disclosed pursuant to Chapter 20 of GEM Listing Rules are as follows:

Royalties were paid to Multiactive Software Inc. on e-business products for which Multiactive Software Inc. developed the source code. Royalty was charged at approximately 33% of the turnover of e-business products. For the period from 2nd March 2000 to 30th November 2000, royalty expenses for the Group amounted to HK\$3,765,000. The Directors are of the opinion that the transactions were carried out in the normal course of business of the Group.

## Directors' and chief executives' interests in equity securities

Subsequent to the balance sheet date, the Company's shares were listed on the GEM on 31st January 2001. As at the date of this report, the interests of the Directors and their associates and chief executives in the share capital of the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as notified to the Company were as follows:

### a) Shares in the Company:

Name of Director	Number of ordinary shares of HK\$0.04 each		Total
	Family interests	Corporate interests	
Mr. Kau Mo Hui	62,500,000 <sup>(1)</sup>	Nil	62,500,000
Mr. Anthony Wai Hung Au	Nil	31,250,000 <sup>(2)</sup>	31,250,000

1. The family interest of Mr. Kau Mo Hui is held indirectly through Pacific East Limited. Pacific East Limited is a British Virgin Islands company and wholly owned by the City Place Trust. The City Place Trust is a discretionary trust and its beneficiaries are Mr. Chi Yung Hui and Mrs. Chu Yuen Lam. Mr. Chi Yung Hui and Mrs. Chu Yuen Lam are, respectively, the son and spouse of Mr. Kau Mo Hui. The interest held by Mr. Chi Yung Hui and Mrs. Chu Yuen Lam are deemed to be part of the interest of Mr. Kau Mo Hui.
2. The corporate interest of Mr. Anthony Wai Hung Au is held indirectly through his interest in Asian 2000 Limited. Asian 2000 Limited is owned as to 60% by Mr. Anthony Wai Hung Au and as to 40% by his spouse, Mrs. Greta May Yoke Au Chui. The interest held by Mrs. Greta May Yoke Au Chui is deemed to be part of the interest of Mr. Anthony Wai Hung Au.

### b) Associated Corporations:

Shares in Multiactive Software Inc:

Name of Director	Personal interests	Number of shares		Total
		Family interests	Corporate interests	
Mr. Terence Chi Yan Hui	2,237,153	Nil	Nil	2,237,153
Mr. Anthony Wai Hung Au	Nil	Nil	1,362,524 <sup>(1)</sup>	1,362,524
Mr. Joseph Chi Ho Hui	17,295	10,000 <sup>(2)</sup>	Nil	27,295
Mr. Kau Mo Hui	70,000	40,949,625 <sup>(3)</sup>	Nil	41,019,625

1. The corporate interest of Mr. Anthony Wai Hung Au is held indirectly through Asian 2000 Limited. Asian 2000 Limited is owned as to 60% by Mr. Anthony Wai Hung Au and as to 40% by his spouse, Mrs. Greta May Yoke Au Chui. The interest held by Mrs. Greta May Yoke Au Chui is deemed to be part of the interest of Mr. Anthony Wai Hung Au.
2. The family interest of Mr. Joseph Chi Ho Hui is held through his spouse, Mrs. Susanna Chow's direct interest. The interest held by Mrs. Susanna Chow is deemed to be part of the interest of Mr. Joseph Chi Ho Hui.

3. The family interest of Mr. Kau Mo Hui is held indirectly through City Place Trust and Multiactive Technologies Partnership. The City Place Trust holds 36,475,319 shares of Multiactive Software Inc representing approximately 59% of the issued capital of Multiactive Software Inc. The City Place Trust is a discretionary trust and its beneficiaries are Mr. Chi Yung Hui and Mrs. Chu Yuen Lam. Mr. Chi Yung Hui and Mrs. Chu Yuen Lam are, respectively, the son and spouse of Mr. Kau Mo Hui. The interest held by Mr. Chi Yung Hui and Mrs. Chu Yuen Lam are deemed to be part of the interest of Mr. Kau Mo Hui.

Multiactive Technologies Partnership holds 4,474,306 shares of Multiactive Software Inc representing approximately 7.2% of the issued share capital of Multiactive Software Inc. The interest in Multiactive Technologies Partnership is owned as to 1% by Multiactive Technologies Inc, a company controlled by Mr. Terence Chi Yan Hui and 99% by Adex Enterprises Inc, a company controlled by Mrs. Chu Yuen Lam. Mr. Terence Chi Yan Hui and Mrs. Chu Yuen Lam are, respectively, the son and spouse of Mr. Kau Mo Hui. The interest held by Mrs. Chu Yuen Lam are deemed to be part of the interest of Mr. Kau Mo Hui.

## Director's and chief executive's rights to acquire shares or debentures

### a) Options in the Company:

Under a share option scheme approved by the shareholders of the Company on 22nd January 2001, the board of Directors may offer to grant to any full time employee including any executive director of the Group who spends not less than 25 hours per week in providing services to the Group. As at the date of this report, options granted to the Directors and chief executives in consideration of HK\$1.00 are as follows:

Name of Director	Number of options	Date of grant	Exercise price
Mr. Terence Chi Yan Hui	1,000,000	31st January 2001	HK\$1.20
Mr. Anthony Wai Hung Au	1,000,000	31st January 2001	HK\$1.20
<b>Name of chief executive</b>			
Mr. Alon Wah Pak Li	1,250,000	31st January 2001	HK\$1.20
Mr. Andy Chiu Poon	720,000	31st January 2001	HK\$1.20
Mr. Peter Kam Sing Tong	720,000	31st January 2001	HK\$1.20

No options have been granted to non-executive directors and Independent non-executive directors. The options expire ten years from the date of grant and exercisable over four years with one quarter exercisable on each anniversary date from the date of grant.

### b) Options in Multiactive Software Inc.:

As at the date of this report, options in Multiactive Software Inc. granted to the Directors and chief executives are as follows:

Name of Director	Number of options	Date of grant	Price
Mr. Terence Chi Yan Hui	100,000	6th May 1999	CDN\$1.00
	250,000	23rd June 2000	CDN\$2.75
Mr. Joseph Chi Ho Hui	75,000	6th May 1999	CDN\$1.00

These options expire seven years from the date of grant and exercisable over four years from the date of grant, with one quarter exercisable on the first anniversary date and the balance exercisable in an equal number monthly over the remaining three years.

Save as disclosed above, as at the date of this report, none of the directors and chief executives had any interests in the shares of the Company and its associated corporations as defined in the SDI Ordinance, and none of the directors or their spouses or children under 18 years of age had any right to subscribe for the shares of the Company, or had exercised any such right during the year and up to the date of this report.

Save as disclosed above, at no time during the period and up to the date of this report was the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Substantial shareholders

Subsequent to 30th November 2000, the Company completed the listing of its shares on the GEM on 31st January 2001. The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at the date of this report, the Company had been notified of the following substantial shareholders' interests, being interest in 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

Name of shareholder	Number of ordinary shares of HK\$0.04 each	Percentage of issued share capital
Multiactive International Limited	226,336,000	56.38%
Pacific East Limited	62,500,000	15.57%

### Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period.

### Major customers and suppliers

During the period, the Group purchased less than 30% of its goods and services from its 5 largest suppliers. The percentages of sales for the period attributable to the Group's major customers are as follows:

Sales	
- the largest customer	41%
- five largest customers combined	54%

None of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) has an interest in any of the major customers referred to above.

### Board practices and procedures

The Company has complied with Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM listing rules, since it was listed on the GEM.

### Audit committee

An audit committee was established on 22nd January 2001. Written terms of reference which set out the authorities and duties of the audit committee were adopted by the Board on the same date. Its principal duties include the review and supervision of the Group's financial reporting processes and internal controls. The audit committee is composed of two independent non-executive directors, namely Mr. Clifford Sau Man Ng and Mr. Ronald Kwok Fai Poon. The audit committee convened for the first time on 26th February 2001 to review the accounts of the Group.

### Directors' interest in competing business

Set out below is information disclosed pursuant to paragraph 11.04 of the GEM Listing Rules:

Mr. Terence Chi Yan Hui, an executive director of the Company, is also the chairman of Multiactive Software Inc. ("MSI"), the company's ultimate holding company. MSI is engaged in the business of the design and development of e-business and CRM software, and has operations in North America, Europe, and South America. MSI and the Company share the same product lines including, Entice!, Maximizer, Maximizer Enterprise, ecBuilder and their respective product lines. The directors of the Company believe that the business of MSI, and possible future businesses conducted by Multiactive International Limited, which is wholly owned by MSI, may compete with the business of the Group.

In addition, Mr. Terence Chi Yan Hui is involved in a range of business and investment activities which include companies involved in technology investments and incubation. These companies include Branium.com, which is an online educational content provider that combines entertainment and curriculum-based education to primary and secondary schools; Multiactive Real Estate Inc., which delivers online listing technology and software services for the real estate industry; List Warehouse Inc, which supplies online marketing lists that are imported directly into marketing software for sales prospecting activities; and CM Canada Mortgage Inc., which operates Canadamortgage.com which provides on-line mortgage shopping and processing. The directors believe that these businesses may, in some respects, compete with the business of the Group.

Save as disclosed above, none of the directors or the initial management shareholders is interested in any business that competes with or is likely to compete with the business of the Group.

### Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board  
**Terence Chi Yan Hui**  
*Chairman*

26th February 2001



羅兵咸永道會計師事務所

## AUDITORS' REPORT TO THE SHAREHOLDERS OF abc MULTIACTIVE LIMITED

*(incorporated in Bermuda with limited liability)*

We have audited the accounts on pages 23 to 44 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **Respective responsibilities of directors and auditors**

The Directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 30th November 2000 and of the loss and cash flows of the Group for the period from 2nd March 2000 (date of incorporation) to 30th November 2000 and have been properly prepared in accordance with disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 26th February 2001



## Consolidated Profit and Loss Account

For the Period from 2nd March 2000 (Date of Incorporation)  
to 30th November 2000

	Note	HK\$'000
Turnover	3	25,213
Cost of sales		<u>(6,773)</u>
Gross profit		18,440
Other revenues	3	1,125
Software research and development expenses		(5,889)
Royalty expenses		(3,765)
Selling and marketing expenses		(5,658)
Administrative expenses		(15,677)
Other operating expense—amortisation of goodwill		<u>(9,135)</u>
Operating loss	4	(20,559)
Finance costs	5	<u>(79)</u>
Loss for the period	7	<u><u>(20,638)</u></u>
		HK cent
Basic loss per share	8	<u><u>(0.89)</u></u>

No consolidated statement of recognised gains and losses is presented as loss for the period of HK\$20,638,000 shown above is the only component.

# Consolidated Balance Sheet

As at 30th November 2000

	<i>Note</i>	<b>2000</b> <i>HK\$'000</i>
Fixed assets	11	7,439
Intangible asset	12	51,765
Loans to fellow subsidiaries	14	6,899
Current assets		
Work in progress		419
Amount due from a shareholder	15	3,500
Trade receivables		3,082
Other receivables, prepayments and deposits		7,366
Taxation recoverable	6(c)	584
Pledged bank deposit	24	500
Bank balances and cash		11,184
		<u>26,635</u>
Current liabilities		
Promissory note payable to a shareholder	16	7,200
Amount due to the ultimate holding company	17	5,354
Other payables, accrued charges and deposits received		6,215
Deferred revenue		2,033
Obligations under finance leases - current portion	20	424
		<u>21,226</u>
Net current assets		<u>5,409</u>
		<u>71,512</u>
Financed by:		
Share capital	18	12,264
Reserves	19	58,898
Shareholders' funds		71,162
Obligations under finance leases - non-current portion	20	350
		<u>71,512</u>

**Terence Chi Yan Hui**  
*Director*

**Anthony Wai Hung Au**  
*Director*

## Balance Sheet

As at 30th November 2000

	<i>Note</i>	<i>HK\$'000</i>
Investment in a subsidiary	13	85,527
Loans to fellow subsidiaries	14	6,899
Current assets		
Amount due from a shareholder	15	3,500
Other receivables, prepayments and deposits		4,435
Bank balance		49
		<u>7,984</u>
Current liabilities		
Promissory note payable to a shareholder	16	7,200
Other payables, accrued charges and deposits received		434
		<u>7,634</u>
Net current assets		<u>350</u>
		<u>92,776</u>
Financed by:		
Share capital	18	12,264
Reserves	19	80,512
Shareholders' funds		<u>92,776</u>

**Terence Chi Yan Hui**  
*Director*

**Anthony Wai Hung Au**  
*Director*

## Consolidated Cash Flow Statement

For the Period from 2nd March 2000 (Date of Incorporation)  
to 30th November 2000

	Note	HK\$'000
Net cash outflow from operating activities	21(a)	(19,864)
Returns on investments and servicing of finance		
Interest received		1,108
Interest paid		(79)
Net cash inflow from returns on investment and servicing of finance		1,029
Taxation		
Hong Kong profits tax paid		(146)
Investing activities		
Purchase of fixed assets		(7,612)
Acquisition of a subsidiary	21(d)	(14,251)
Loans advanced to fellow subsidiaries		(6,899)
Increase in pledged bank deposit		(500)
Net cash outflow from investing activities		(29,262)
Net cash outflow before financing		(48,243)
Financing		
Issue of ordinary shares	21(b)	59,550
Repayment of capital element of finance lease	21(b)	(123)
Net cash inflow from financing		59,427
Cash and cash equivalents at 30th November 2000		11,184
Analysis of balances of cash and cash equivalents:		
Bank balances and cash		11,184

## 1 Group reorganisation and basis of preparation

- (a) The Company was incorporated in Bermuda on 2nd March 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda.
- (b) During the period, the Company acquired the entire issued share capital of abc Multiactive (Hong Kong) Limited ("abc HK") which involved the following:
- (i) On 27th December 1999, pursuant to a sale and purchase agreement entered into between Multiactive Software Inc. ("MSI") and Asian 2000 Limited (as amended on 1st February 2000), the Company acquired a 70% interest in abc HK from Asian 2000 Limited for cash and other consideration amounting to HK\$60 million.

(ii) On 17th April 2000, the Company acquired the remaining 30% equity interest in abc HK from Asian 2000 Limited for a consideration of HK\$1.25 million which was satisfied by the issue of 125 million shares of HK\$0.01 each of the Company credited as fully paid.

The acquisition was completed with effect from 1st March 2000 and abc HK has been accounted for using acquisition accounting by the Company.

- (c) Furthermore, pursuant to a group reorganisation (the "Reorganisation") completed on 22nd January 2001 to rationalise the group structure in preparation for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM"), the Company became the holding company of the Group. The Company's shares were listed on the GEM on 31st January 2001. The Reorganisation was effected as follows:

(i) On 16th December 2000, two shares of S\$1 each of Multiactive Software (S) Pte Ltd. ("MSSL") were transferred by Multiactive Software Pty Limited ("MSPL"), a wholly owned subsidiary of MSI to the Company for a cash consideration of S\$2.

(ii) On 22nd January 2001, pursuant to a directors' resolution, MSPL allotted and issued 99,988 shares of AUD\$1.00 each to the Company for a cash consideration of AUD\$99,988.

The Reorganisation referred to above has not been reflected in the accounts by the Group as the Reorganisation was completed subsequent to 30th November 2000. The Reorganisation will be accounted for by the Company in the year ending 30th November 2001 using acquisition accounting in accordance with Statement of Standard Accounting Practice No. 27 "Accounting for Group Reconstructions". In applying acquisition accounting, the results of MSPL and MSSL will be consolidated in the consolidated accounts with effect from the effective date of acquisition by the Company.

- (d) The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention.

### 2 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

#### (a) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 30th November. The results of subsidiaries acquired or disposed of during the period are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account or retained earnings.

Minority interests represent the interests of outsider shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

#### (b) Revenue recognition

Revenue from the sale of computer hardware is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

Revenue from the sale of computer software licences and the provision of related services where there are no significant post-delivery obligations is recognised upon the satisfactory completion of installation, which generally coincides with the time when the computer products are delivered to the customers.

Where the company enters into contracts with customers which entail the development of customised software with significant post delivery service support, revenue from the development of customised software is recognised in the profit and loss account by reference to the stage of completion of customisation work, including post delivery service support, at the balance sheet date.

Revenue from the provision of maintenance services is recognised on a straightline basis over the life of the related agreement.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and interest rates applicable.

### 2 Principal accounting policies (continued)

#### (c) Fixed assets

##### (i) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation of fixed assets is calculated to write off their cost on a straight line basis over their estimated useful lives. The principal annual rate used for this purpose is 25%.

##### (ii) Cost of restoring and improving fixed assets

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

##### (iii) Impairment of fixed assets

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

##### (iv) Gain or loss on disposal of fixed assets

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

#### (d) Assets under leases

##### (i) Finance leases

Leases that substantially transfer to the Group all the rewards and risks of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the profit and loss account in proportion to the Group capital balances outstanding.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or lease periods on a straight line basis.

##### (ii) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight line basis over the lease term.

### 2 Principal accounting policies (continued)

#### (e) Goodwill

Goodwill arising on acquisition of a subsidiary, which represents the excess of purchase consideration over the fair values ascribed to the separable net assets of subsidiaries acquired is recognised as an asset and amortised by equal annual instalments over its estimated useful economic life of 5 years. The carrying amount of goodwill is reviewed annually and written down for permanent impairment where it is considered necessary.

#### (f) Work in progress

Work in progress is recorded at the amount of the costs incurred plus attributable profit less progress billings.

#### (g) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

#### (h) Deferred revenue

Deferred revenue represents the proportion of revenue which relates to the unexpired period of the maintenance service agreements as at the period end.

#### (i) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

#### (j) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transactions dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. All exchange differences arising in these cases are dealt with in the profit and loss account.

#### (k) Software research and development costs

Costs incurred in the research and development of software products of the Group are expensed as incurred unless the costs of development satisfy the criteria for the recognition of such costs as assets. During the period, all software research and development costs have been expensed.

#### (l) Borrowing costs

Borrowing costs are charged to the profit and loss account in the year in which they are incurred unless they are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. During the period, all borrowing costs have been expensed.



### 3 Revenues and turnover

The Group is principally engaged in the design and sale of computer products and the provision of maintenance services for such products. Revenues recognised during the period are as follows:

	Period from 2nd March 2000 (date of incorporation) to 30th November 2000 HK\$'000
Turnover	
Sales of computer hardware	1,096
Sales of computer software licences and provision of related services ( <i>note</i> )	20,036
Provision of maintenance services	4,081
	<hr style="border-top: 1px solid black;"/>
	25,213
	<hr style="border-top: 1px dashed black;"/>
Other revenues	
Bank interest income	1,108
Other income	17
	<hr style="border-top: 1px solid black;"/>
	1,125
	<hr style="border-top: 1px dashed black;"/>
Total revenues	<hr style="border-top: 1px solid black;"/> 26,338 <hr style="border-top: 3px double black;"/>

Note: On 20th November 2000, the Group sold 40,000 software licences and provide related services to Success Wealth Ltd., a shareholder of the Company. Success Wealth Ltd. is a wholly owned subsidiary of Hanny Holdings Limited, a company listed in Hong Kong. The recorded value of this transaction is HK\$10.3 million, being the price agreed between the parties (see also notes 18(e) and 23(b)).

### 4 Operating loss

Operating loss is stated after charging the following:

	Period from 2nd March 2000 (date of incorporation) to 30th November 2000 HK\$'000
Auditors' remuneration	500
Bad debts written off	235
Provision for doubtful debts	616
Depreciation:	
Owned fixed assets	1,390
Leased fixed assets	99
Loss on disposals of fixed assets	466
Amortisation of goodwill	9,135
Operating leases in respect of land and buildings	1,868
Staff costs	20,484
	<hr style="border-top: 1px solid black;"/> <hr style="border-top: 3px double black;"/>

**5 Finance costs**

	Period from 2nd March 2000 (date of incorporation) to 30th November 2000 <i>HK\$'000</i>
Interest expense on bank overdraft	20
Interest expense on other secured loan	55
Interest element of finance leases	4
	<hr/>
	79
	<hr/> <hr/>

**6 Taxation**

- (a) No Hong Kong profits tax has been provided as the Group has no estimated assessable profit for the period.
- (b) The potential deferred tax asset of HK\$3,566,000 relating to tax losses available for carry forward and other timing differences as at 30th November 2000 has not been recognised as the crystallisation of the asset in the foreseeable future is uncertain.
- (c) The taxation recoverable in the consolidated balance sheet represents the excess of provisional profits tax paid over the provision required for Hong Kong profits tax.

**7 Profit attributable to shareholders**

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$976,000.

**8 Basic loss per share**

The calculation of basic loss per share is based on the Group's loss for the period of HK\$20,638,000 and the weighted average of 2,314,109,927 ordinary shares in issue during the period.

No diluted loss per share has been presented as there is no dilutive potential ordinary share during the period.

## 9 Directors' and senior management's emoluments

### (a) Directors' remuneration

The aggregate amounts of emoluments paid or payable to directors of the Company during the period are as follows:

	Period from 2nd March 2000 (date of incorporation) to 30th November 2000 HK\$'000
Fees	—
Basic salaries and allowances	1,817
	<u>1,817</u>

Two executive directors received emoluments of approximately HK\$601,000 and HK\$1,216,000 respectively. No emoluments were paid to the remaining executive director and the independent non-executive directors during the period.

No Directors of the Company waived any emoluments during the period.

During the period, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the period include one director whose emolument is reflected in the analysis presented above. The emoluments payable to the remaining four individuals (the "Employees") during the period are as follows:

	Period from 2nd March 2000 (date of incorporation) to 30th November 2000 HK\$'000
Basic salaries and allowances	3,310
	<u>3,310</u>

During the period, no emoluments were paid by the Group to any of the Employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

The emoluments of the Employees fell within the emolument band of nil to HK\$1,000,000.

**10 Retirement schemes**

The Group did not provide retirement benefits for its employees in Hong Kong during the period. With effect from 1st December 2000, a mandatory provident fund scheme has been set up for all the eligible employees of the Group in Hong Kong. The mandatory provident fund scheme is a defined contribution retirement scheme and the contributions to the fund by the Group and employees are calculated as a percentage of employees' basic salaries.

**11 Fixed assets - Group**

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
Acquisition of a subsidiary	871	439	1,465	2,775
Additions	3,582	623	4,304	8,509
Disposals	(871)	(404)	(1,026)	(2,301)
At 30th November 2000	<u>3,582</u>	<u>658</u>	<u>4,743</u>	<u>8,983</u>
Accumulated depreciation				
Acquisition of a subsidiary	708	306	876	1,890
Charge for the period	841	137	511	1,489
Disposals	(708)	(297)	(830)	(1,835)
At 30th November 2000	<u>841</u>	<u>146</u>	<u>557</u>	<u>1,544</u>
Net book value				
At 30th November 2000	<u>2,741</u>	<u>512</u>	<u>4,186</u>	<u>7,439</u>

At 30th November 2000, the net book value of fixed assets held by the Group under finance leases amounted to HK\$798,000.

**12 Intangible asset**

	<b>Group</b> <i>HK\$'000</i>
Goodwill arising on acquisition of a subsidiary	60,900
Less: Amortisation during the period	<u>(9,135)</u>
	<u>51,765</u>

## 13 Investment in a subsidiary

	<b>Company</b> <i>HK\$'000</i>
Investment, at cost	61,250
Amount due from a subsidiary ( <i>note a</i> )	24,277
	<hr/>
	85,527
	<hr/> <hr/>

- (a) The amount due from a subsidiary is unsecured and will not be repayable until the subsidiary is in a position to repay. Included in the balance is approximately HK\$11,624,000 which is interest bearing at prevailing market rate. The remaining balance is interest free.
- (b) As at 30th November 2000, the Company has a direct interest in the subsidiary as follows:

<b>Company</b>	<b>Place of incorporation/ operation</b>	<b>Particulars of issued share capital</b>	<b>Interest held</b>	<b>Principal activities</b>
abc Multiactive (Hong Kong) Limited (formerly known as abc Multiactive Technology Limited and ABC Data and Telecom Limited)	Hong Kong	300,000 ordinary shares of HK\$1 each	100%	Design and sales of computer products and provision of maintenance services

Subsequent to the period ended 30th November 2000 and immediately following the Reorganisation as set out in note 1 to the accounts, the Company acquired direct interests in the subsidiaries as follows:

<b>Company</b>	<b>Place of incorporation/ operation</b>	<b>Particulars of issued share capital</b>	<b>Interest held</b>	<b>Principal activities</b>
Multiactive Software Pty Limited	Australia	100,000 ordinary shares of AUD\$1 each	99.99%	Sale of computer products and provision of maintenance services
Multiactive Software (S) Pte Ltd.	Singapore	2 ordinary shares of S\$1 each	100%	Sale of computer products

## 14 Loans to fellow subsidiaries

The loans to fellow subsidiaries represent advances for the fellow subsidiaries' working capital which are unsecured, interest free and will not be repayable within twelve months from the balance sheet date.

Subsequent to the Reorganisation set out in note 1 to the accounts, the fellow subsidiaries became the subsidiaries of the Company.

## 15 Amount due from a shareholder

The amount due from a shareholder represents subscription receivable which is unsecured and interest free. The amount was subsequently repaid in December 2000.

## 16 Promissory note payable to a shareholder

The promissory note is interest bearing at prime rate plus 1% and is payable within 14 days after the listing of the Company or on 28th February 2001, whichever is earlier. The promissory note was paid in February 2001.

## 17 Amount due to the ultimate holding company

The amount due to the ultimate holding company represents mainly royalty fees payable and expenses paid on behalf of the Group which is unsecured, interest free, and repayable after the listing of the Company on the GEM.

## 18 Share capital

Authorised:

	Note	Ordinary shares No. of shares	HK\$'000
On incorporation, ordinary shares of HK\$0.01 each	(a)	10,000,000	100
Increase in authorised share capital	(b)	99,990,000,000	999,900
Subdivision of ordinary shares into HK\$0.005 each	(d)	100,000,000,000	—
At 30th November 2000, ordinary shares of HK\$0.005 each		<u>200,000,000,000</u>	<u>1,000,000</u>

Issued and fully paid:

		Ordinary shares No. of shares	HK\$'000
Issue of shares of HK\$0.01 each	(a) to (c)	1,246,395,000	12,464
Subdivision of ordinary shares into HK\$0.005 each	(d)	1,246,395,000	—
Repurchase of shares of HK\$0.005 each	(e)	(50,000,000)	(250)
Issue of shares of HK\$0.005 each	(f)	10,000,000	50
At 30th November 2000, ordinary shares of HK\$0.005 each		<u>2,452,790,000</u>	<u>12,264</u>

**18 Share capital (continued)**

(a) As at the date of the incorporation of the Company, its initial authorised share capital was HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each. On 8th March 2000, 10,000,000 shares were issued to Multiactive International Limited ("MIL"), the immediate holding company, a company incorporated in the British Virgin Islands and wholly owned by MSI for a cash consideration of HK\$100,000.

(b) Pursuant to a resolution in writing passed on 18th March 2000, the Company's authorised share capital was increased to HK\$1,000,000,000 divided into 100,000,000,000 shares of HK\$0.01 each. On the same date, a total of 1,090,000,000 of shares were issued in the following manner:

Allottee	No. of shares	Consideration
Success Wealth Ltd.	100,000,000	HK\$25,000,000 in cash
Asian 2000 Limited	740,000,000	HK\$45,000,000 satisfied by the issue of 210,000 shares in abc HK, credited as fully paid
Pacific East Limited	250,000,000	HK\$15,000,000 in cash

Accordingly, HK\$36,500,000 was credited to the share premium account (note 19).

(c) On 25th April 2000, the following shares were allotted and issued to the following persons for the consideration stated below:

Allottee	No. of shares	Consideration
Ribbon Development Limited	21,395,000	HK\$19,450,000 in cash
Asian 2000 Limited	125,000,000	HK\$1,250,000 satisfied by the issue of 90,000 shares of abc HK, credited as fully paid

Accordingly, HK\$19,236,000 was credited to the share premium account (note 19).

(d) Pursuant to a resolution in writing of the shareholders passed on 16th November 2000, each of the authorised unissued and issued shares were divided into two to create 200,000,000,000 shares with a nominal value of HK\$0.005 per share.

(e) On 21st November 2000, pursuant to a resolution of the directors, 50,000,000 shares with a nominal value of HK\$0.005 per share were repurchased from Success Wealth Ltd. for a consideration of HK\$17,500,000 and the shares were duly cancelled. The consideration was satisfied in part by the issue of a promissory note in the amount of HK\$7,200,000 (note 16) and the balance of HK\$10,300,000 was satisfied by offsetting the amount receivable from Success Wealth Ltd. relating to the sale of software licences and provision of related services as set out in note 3 to the accounts.

The difference between the consideration paid and the nominal value of the shares repurchased amounting to HK\$17,250,000 was deducted from the share premium account (note 19).

## 18 Share capital (continued)

(f) 10,000,000 shares with a nominal value of HK\$0.005 per share were allotted and issued to Acura Holdings Limited on 30th November 2000, at a consideration of HK\$3.5 million satisfied in cash pursuant to a subscription agreement dated 27th September 2000. Accordingly HK3,450,000 was credited to the share premium account (note 19). The subscription agreement was subsequently amended on 2nd January 2001 whereby Acrua Holdings Limited agreed to subscribe for 2,916,667 shares of HK\$0.04 each (23,333,337 shares of HK\$0.005 each prior to share consolidation which took place on 2nd January 2001 (note 27(a)(i))) at a price of HK\$1.20 per share totalling HK\$3.5 million satisfied in cash. The remaining 1,666,667 shares (13,333,337 shares of HK\$0.005 each prior to share consolidation) were allotted and issued to Acrua Holdings Limited on 29th January 2001 (note 27(a)(iii)).

## 19 Reserves

	Group			Total HK\$'000
	Share premium HK\$'000	Contributed surplus HK\$'000 (note a)	Accumulated loss HK\$'000	
Issue of shares (note 18)	59,186	—	—	59,186
Repurchase of shares (note 18(e))	(17,250)	—	—	(17,250)
Shares issued for acquisition of a subsidiary	—	37,600	—	37,600
Loss for the period	—	—	(20,638)	(20,638)
At 30th November 2000	<u>41,936</u>	<u>37,600</u>	<u>(20,638)</u>	<u>58,898</u>
	Company			Total HK\$'000
	Share premium HK\$'000	Contributed surplus HK\$'000 (note a)	Retained earnings HK\$'000	
Issue of shares (note 18)	59,186	—	—	59,186
Repurchase of shares (note 18(e))	(17,250)	—	—	(17,250)
Shares issued for acquisition of a subsidiary	—	37,600	—	37,600
Profit for the period	—	—	976	976
At 30th November 2000	<u>41,936</u>	<u>37,600</u>	<u>976</u>	<u>80,512</u>



## 19 Reserves (continued)

(a) The contributed surplus arise from a share for share exchange in acquiring a subsidiary (notes 18(b) & (c)). The amount represents the difference between the nominal value of the Company's shares issued and the fair value of net assets of the subsidiary. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

## 20 Obligations under finance leases

At 30th November 2000, the obligations under finance leases were repayable as follows:

	<i>HK\$'000</i>
Within one year	424
In the second year	350
	<hr/>
	774
	<hr/> <hr/>

## 21 Notes to the consolidated cash flow statement

(a) Reconciliation of loss for the period to net cash outflow from operating activities

	Period from 2nd March 2000 (date of incorporation) to 30th November 2000 <i>HK\$'000</i>
Loss for the period	(20,638)
Depreciation	1,489
Amortisation of goodwill	9,135
Loss on disposal of fixed assets	466
Trade receivable offset against consideration payable for repurchase of shares (note (c)(ii))	(10,300)
Increase in work in progress	(419)
Increase in trade and other receivables, prepayments and deposits	(9,754)
Increase in amount due to ultimate holding company	5,354
Increase in other payables, accrued charges and deposits received	5,538
Increase in deferred revenue	294
Interest income	(1,108)
Interest expenses	79
	<hr/>
Net cash outflow from operating activities	(19,864)
	<hr/> <hr/>

## 21 Notes to the consolidated cash flow statement (continued)

## (b) Analysis of changes in financing during the period

	Share capital (including premium and contributed surplus) HK\$'000	Obligation under finance leases HK\$'000
Issue of shares	59,550	—
Amount due from a shareholder	3,500	—
Shares issued for non-cash consideration (note (c)(i))	46,250	—
Repurchase of shares (note (c)(ii))	(17,500)	—
Inception of finance lease	—	897
Repayment of capital element of finance leases	—	(123)
	<hr/>	<hr/>
At 30th November 2000	<u>91,800</u>	<u>774</u>

## (c) Major non-cash transactions

- (i) Part of the consideration for the acquisition of a subsidiary during the period was satisfied by the issue of 740,000,000 and 125,000,000 ordinary shares of the Company of HK\$0.01 each (before sub-division of shares on 16th November 2000) at a consideration HK\$45,000,000 and HK\$1,250,000 respectively (notes 18(b) and (c)).
- (ii) The consideration for the repurchase of the Company's shares from Success Wealth Ltd. was satisfied in part by the issue of a promissory note to Success Wealth Ltd. in the amount of HK\$7.2 million; the balance of HK\$10.3 million was satisfied by offsetting the amount receivable from Success Wealth Ltd. relating to the sale of software licences and provision of related services as set out on note 3 to the amounts.

## 21 Notes to the consolidated cash flow statement (continued)

## (d) Acquisition of a subsidiary

	Period from 2nd March 2000 (date of incorporation) to 30th November 2000 HK\$'000
Net assets acquired	
Fixed assets	885
Trade and other receivables, prepayments and deposits	694
Taxation recoverable	438
Bank balances and cash	749
Other payables, accrued charges deposits received	(677)
Deferred revenues	(1,739)
	<u>350</u>
Goodwill	60,900
	<u>61,250</u>
Satisfied by	
Allotment of shares	46,250
Cash	15,000
	<u>61,250</u>

The subsidiary acquired during the period contributed HK\$15,864,000 to the Group's net operating cash outflow, received HK\$1,029,000 in respect of the net returns on investments and servicing of finance, paid HK\$146,000 in respect of taxation, utilised HK\$7,612,000 for investing activities and paid HK\$123,000 for financing.

Analysis of the net outflow in respect of the acquisition of a subsidiary:

	HK\$'000
Cash consideration	(15,000)
Bank balances and cash in hand acquired	749
	<u>(14,251)</u>

## 22 Commitments under operating leases

At 30th November 2000, the Group had commitments to make payments in the next twelve months under operating leases in respect of land and buildings which expire as follows:

	<i>HK\$'000</i>
In the second to fifth year inclusive	3,244

## 23 Related parties transactions

The Group undertook the following material transactions with related parties during the period:

	Period from 2nd March 2000 (date of Incorporation) to 30th November 2000 <i>HK\$'000</i>
Royalty fee payable the ultimate holding company ( <i>note a</i> )	3,765
Sale of software licence and provision of related professional services ( <i>note b</i> )	10,300

- (a) This represents royalty fee payable to the ultimate holding company in the normal course of business and at terms mutually agreed between the two parties.
- (b) On 20th November 2000, the Group sold 40,000 software licences and provide related services to Success Wealth Ltd. ("SW"), a shareholder of the Company. SW is a wholly owned subsidiary of Hanny Holdings Limited, a company listed in Hong Kong. The recorded value of this transaction is HK\$10,300,000 being the price agreed between the parties (the "Transaction"). Pursuant to a separate agreement dated 20th November 2000 between the Company and SW, the resulting receivable from SW from the Transaction was offset against the consideration payable to SW in connection with the repurchase of shares from SW by the Company (note 18(e)).

## 24 Banking facilities

The company's banking facilities are secured by fixed deposit of a subsidiary of the Company amounting to HK\$500,000.

### 25 Contingent liabilities

At 30th November 2000, 18 employees had completed the required number of years of service under the Employment Ordinance ("Ordinance") to be eligible for long service payments on termination of their employment by the company. The Group is only liable to make such payments where termination meet the required circumstances specified in the Ordinance. As at 30th November 2000, the estimated liabilities not provided for in the accounts for such purpose amounted to HK\$2,441,000.

### 26 Ultimate holding company

The directors regard Multactive Software Inc., a company incorporated in Canada and listed on the Toronto Stock Exchange, as being the ultimate holding company.

### 27 Subsequent events

The following significant events took place subsequent to 30th November 2000:

(a) The changes in the authorised and issued share capital of the Company are as follows:

- (i) On 2nd January 2001, pursuant to a resolution in writing of the shareholders every eight of the authorised issued and unissued shares of HK\$0.005 per share in the share capital of the Company were consolidated into one share such that the authorised share capital of the Company became HK\$1,000,000,000 consisting of 25,000,000,000 shares of HK\$0.04 per share and the issued capital of the Company was HK\$12,263,950 consisting of 306,598,750 shares.
- (ii) Pursuant to a resolution in writing of the directors of the Company passed on 22nd January 2001, 38,836,000 shares with a nominal value HK\$0.04 per share were allotted and issued on 22nd January, 2001 to MSI, the consideration for which was not paid in cash but was satisfied by the transfer to the Company of a promissory note in the face amount of CDN\$3,650,000 owed by MSPL to MSI in connection with outstanding royalty payments and other charges. On the same day MSI transferred the same 38,836,000 shares with a nominal value HK\$0.04 per share at cost to MIL which was satisfied by the issue of 1,000 shares in MIL credited as fully paid.
- (iii) 1,666,667 shares of HK\$0.04 each were allotted and issued on 29th January 2001, to Acura Holdings Limited pursuant to the subscription agreement dated 2nd January 2001 as detailed in note 18(f).
- (iv) 12,500,000 shares of HK\$0.04 each were allotted on 29th January 2001, and issued at a price of HK\$1.20 per share to Fitco Limited for a cash consideration of HK\$15,000,000.
- (v) On 31st January 2001, the Company issued 41,876,000 shares of HK\$0.04 each by way of placing at HK\$1.20 per share for a total cash consideration of HK\$50.3 million in relation to the listing of the Company's shares on the GEM. The shares of the Company were listed on the GEM on 31st January 2001.

### 27 Subsequent events *(continued)*

- (b) Pursuant to a resolution passed by the shareholders of the Company on 22nd January 2001, a share option scheme (the "Scheme") was approved and adopted. 15,786,400 options with an exercise price of HK\$1.20 per share were granted on 31st January 2001. Details of the Scheme and the exercisable period are set out on page 19 in the directors' report.
- (c) On 22nd January 2001, the Company entered into a software assignment agreement with MSI for the purchase of certain intellectual property rights (including copyright, trademarks and proprietary technology) in the Asia Pacific region for a cash consideration of CDN\$3 million.
- (d) On 22nd January 2001, the Company entered into an agreement, with MSI whereby MSI and the Company granted each other reciprocal rights to participate, in the further development of certain intellectual properties transferred from MSI as set out in note 27(c) above and in the development of new software titles in accordance with the terms set out in the agreement.

Save as aforesaid, no other significant events took place subsequent to 30th November 2000.

### 28 Approval of accounts

The accounts were approved by the board of directors on 26th February 2001.

### BASIS OF PRESENTATION

- (a) The Reorganisation as detailed in note 1 to the accounts on page 27 to the accounts was completed on 22nd January 2001 and has not been reflected in the accounts by the Group for the period ended 30th November 2000. To facilitate comparison of the results of the Group with that presented in the accountant's report in appendix 1 to the prospectus of the Company dated 22nd January 2001, the pro forma combined profit and loss account and the pro forma combined balance sheet are prepared on a combined basis as if the current group structure had been in existence throughout the year ended 30th November 2000, except for abc HK, which was acquired by the Company with effect from 1st March 2000 for cash and other consideration and its results are consolidated by the Company with effect from 1st March 2000. The above basis is the same as that adopted in the accountants' report to the prospectus of the Company dated 22nd January 2001.
- (b) Details of the companies comprising the group are set out in note 13 to the accounts on page 35.
- (c) Internal transactions are eliminated on combination and all figures in the pro forma combined profit and loss account and pro forma combined balance sheet relate to external transactions only.
- (d) The pro forma combined profit and loss account, the pro forma combined balance sheet, and other financial information is unaudited and do not form part of the audited accounts of the Group as set out on pages 23 to 44 of this annual report.

The basis of presentation detailed above applied to the supplementary unaudited financial information set out on pages 46 to 49.

## Pro Forma Combined Profit and Loss Account

For the year ended 30th November 2000

	<b>2000</b> <b>Unaudited</b> <i>HK\$'000</i>	<b>1999</b> <i>(Note b)</i> <i>HK\$'000</i>
Turnover (Note a)	33,739	15,210
Cost of sales	<u>(7,054)</u>	<u>(1,599)</u>
Gross profit	26,685	13,611
Other revenues	1,351	323
Software research and development expenses	(5,889)	—
Royalty expenses	(6,871)	(4,598)
Selling and marketing expenses	(13,215)	(6,346)
Administrative expenses	(26,947)	(5,244)
Other operating expense - amortisation of goodwill	<u>(9,135)</u>	<u>—</u>
Operating loss	(34,021)	(2,254)
Finance costs	<u>(237)</u>	<u>(60)</u>
Loss for the year	<u><u>(34,258)</u></u>	<u><u>(2,314)</u></u>

Notes:

- (a) On 20th November 2000, the Group sold 40,000 software licences and provide related services to Success Wealth Ltd, a shareholder of the Company. Success Wealth Ltd is a wholly owned subsidiary of Hanny Holdings Limited, a company listed in Hong Kong. The recorded value of this transaction is HK\$10.3 million, being the price agreed between the parties.
- (b) The information are extracted from the accountants' report in appendix 1 to the prospectus of the Company dated 22nd January 2001.



## Supplementary Unaudited Financial Information

### Pro Forma Combined Balance Sheet

As at 30th November 2000

	Unaudited HK\$'000
Fixed assets	9,210
Intangible asset	51,765
Current assets	
Inventories	175
Work in progress	419
Amount due from a shareholder	3,500
Trade and other receivables, prepayments and deposits	13,656
Taxation recoverable	584
Pledged bank deposit	500
Bank balances and cash	12,762
	<u>31,596</u>
Current liabilities	
Promissory note payable to a shareholder	7,200
Promissory note payable to the ultimate holding company	18,291
Amount due to the ultimate holding company	7,463
Other payables, accrued charges and deposits received	8,767
Deferred revenue	2,106
Obligations under finance leases - current portion	424
	<u>44,251</u>
Net current liabilities	<u>(12,655)</u>
	<u>48,320</u>
Financed by:	
Shareholders' fund	47,970
Obligations under finance leases - non-current portion	350
	<u>48,320</u>

## Comparative Table of Pro Forma Results, Assets and Liabilities

The following table summarises the pro forma unaudited results, assets and liabilities of the Group for each of the last three financial years presented on a combined basis as of the current group structure had been in existence throughout each of the three years ended 30th November except for abc HK, which was acquired by the Company with effect from 1st March 2000 for cash and other consideration and its results are consolidated by the Company with effect from 1st March 2001.

	Year ended 30th November		
	1998	1999	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	8,388	15,210	33,739
Loss for the year	(5,058)	(2,314)	(34,258)
	As at 30th November		
	1998	1999	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	3,912	9,266	92,571
Total liabilities	(13,473)	(21,218)	(44,601)
Net asset/(liabilities)	(9,561)	(11,952)	47,970

## Analysis by Principal Activities and Geographical Locations

An analysis of the Group's pro forma unaudited turnover and contribution to trading profit/(loss) for the year ended 30th November 2000 by principal activities and geographical locations is set out below:

	<b>Unaudited Turnover</b> <i>HK\$'000</i>	<b>Unaudited Contribution to trading profit/(loss)</b> <i>HK\$'000</i>
By principal activity:		
Sales of software licences	28,119	2,853
Services and maintenance	4,528	(2,270)
Sales of hardware	1,092	127
	<u>33,739</u>	<u>710</u>
Other expenses		<u>(34,968)</u>
Loss for the year		<u>(34,258)</u>
By geographical location:		
Australia	6,067	(12,038)
Hong Kong	25,113	(20,638)
Indonesia	100	—
Singapore	2,459	(1,582)
	<u>33,739</u>	<u>(34,258)</u>