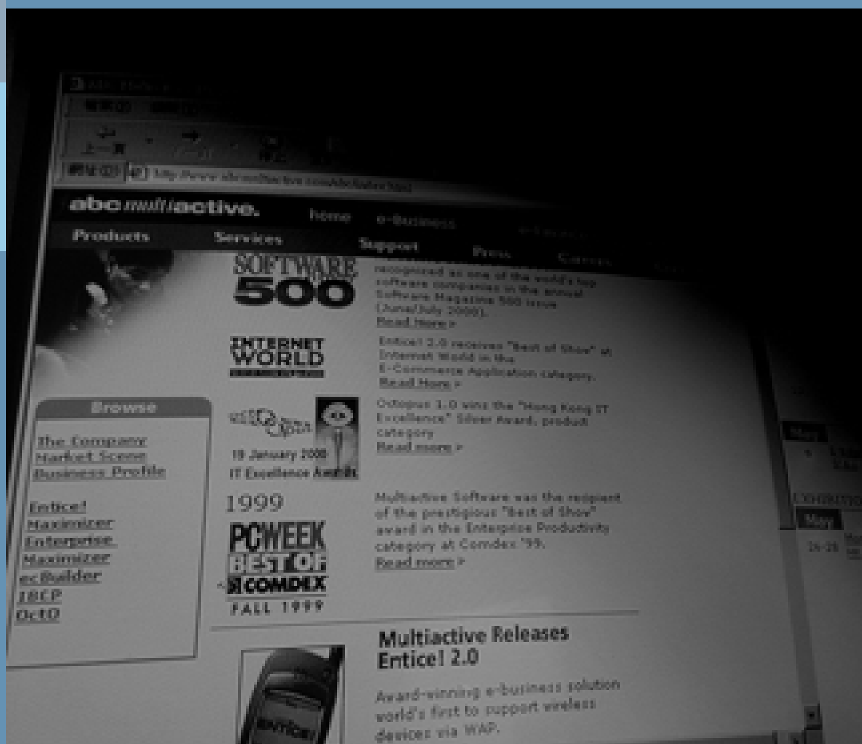
abcmultiactive

abc Multiactive Limited



Annual Report 2001

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

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 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 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 GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Companies listed on 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 GEM-listed issuers.

Content

Corporate Information

Executive Directors
Mr. Terence Chi Yan HUI
Mr. Joseph Chi Ho HUI
Mr. Anthony Wai Hung AU
(resigned on 1st February 2002)

Non-executive Director
Mr. Kau Mo HUI

Independent Non-executive Directors
Mr. Ronald Kwok Fai POON
Mr. Clifford Sau Man NG

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. Terence Chi Yan HUI

Qualified Accountant
Mr. Billy Kin Wah CHAN, AHKSA, CPA(Aust), CICPA

Company Secretary
Mr. Billy Kin Wah CHAN, AHKSA, CPA(Aust), CICPA

Authorised Representatives
Mr. Terence Chi Yan HUI
Mr. Anthony Wai Hung AU
(resigned on 1st February 2002)
Mr. Billy Kin Wah CHAN, AHKSA, CPA(Aust), CICPA
(appointed on 1st February 2002)

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
5th Floor, Wing On Centre
111 Connaught Road Central
Central
Hong Kong

NOTICE IS HEREBY GIVEN that the Annual General Meeting of abc Multiactive Limited (the "Company") will be held at 1st Floor, AON China Building, 29 Queen's Road Central, Central, Hong Kong on Thursday, 18th April 2002, at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 30th November 2001;

2. To re-elect retiring director and authorise the board of directors to fix his remuneration;

3. To re-appoint auditors and authorise the board of directors to fix their remuneration;

   and, as special business, to consider and, if thought fit, to pass the following resolutions as ordinary resolutions of the Company:

4. "**THAT**

   (i) subject to paragraph (iii) 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 be and is hereby generally and unconditionally approved;

   (ii) the approval in paragraph (i) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

   (iii) 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 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

   (iv) 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 the Company Act 1981 of Bermuda (as amended) 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.

"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)."

(5) "**THAT**

(i) subject to paragraph (ii) of this resolution, 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 GEM 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/or the requirements of the Rules Governing the Listing of Securities on 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 paragraph (i) of this resolution 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 the Company Act 1981 of Bermuda (as amended) 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."

(6) "**THAT** conditional upon ordinary resolutions nos. 4 and 5 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 no. 5 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 above."

By order of the Board
Billy Kin Wah Chan
Company Secretary

Hong Kong, 22nd February 2002

Head Office and Principal Place of Business:
1st Floor, AON China Building
29 Queen's Road Central
Central
Hong Kong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Notes:

(i) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and, on a poll, 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 deposited at the Company's branch share registrar and transfer office in Hong Kong, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Central, Hong Kong, not less than 48 hours before the time appointed for 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) An explanatory statement containing further details regarding ordinary resolutions no.4 to 6 as required by the Rules Governing the Listing of Securities on GEM will be despatched to the members of the Company together with the annual report of the Company for the year ended 30th November 2001.

Chairman's Statement

2001 was no doubt a challenging year given the turmoil in the economy. The collapse of the technology market coupled with the events of September 11th terrorists attack caused declining business confidence and contracting corporate IT investments. Against a backdrop of the general economy slow down, we saw a rapid consolidation of technology companies worldwide and an elimination of players who failed to develop a sustainable business model. Despite these challenges, abc Multiactive Limited was fortunate to have an established customer base and well-developed products to provide us with a more reliable revenue stream.

On 31st January 2001, the shares of abc Multiactive Limited were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. During the second half of 2001, we responded rapidly to the market conditions by implementing a series of cost control measures which included restructuring our regional sales offices to a distributor model to ensure a lean overhead and cost effective operating structure. During the year, we expanded our distribution network in the Asia Pacific region to 100 resellers of our CRM/e-business software spanning Korea, the People's Republic of China (the "PRC"), Indonesia, Malaysia, India, Australia, Singapore and New Zealand. We are well positioned to fully capitalise on opportunities when market conditions improve.

One of our major objectives in 2002 is expansion to other Asian countries for our securities software by targeting international banks and securities firms and building new partnerships. Broadening our presence in the CRM market in the PRC by leveraging our strategic partners and distributors will also be a priority for this year. Our ability to operate cost effectively while growing our customer base will continue to be crucial in building a long-term business.

I would like to thank our board of directors, shareholders, customers, and industry partners for their continued support and our employees for contributing their energy and skills this past year. We are operating as a company with an unparalleled committed team and I look forward to a productive year in 2002.

Terence Chi Yan Hui
Chairman

22nd February 2002

Financial Review

The Group recorded a turnover of approximately HK$29,777,000 for the year ended 30th November 2001, an 18% increase from approximately HK$25,213,000 for the previous period. The increase in turnover is attributed to increased demand for the Group's e-finance products with the launch of AMS/3 by The Stock Exchange of Hong Kong Limited, consistent growth in maintenance service income from existing customers, and the addition of the operations of Multiactive Software Pty. Limited ("abc Australia") and abc Multiactive (Singapore) Pte. Limited ("abc Singapore") into the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") in January 2001. Of the total turnover amount, HK$13,612,000 or 46% was generated from software license sales, HK$4,914,000 or 17% was generated from professional service income, HK$6,049,000 or 20% was generated from the sale of hardware goods, and HK$5,202,000 or 17% was generated from maintenance services. As at 30th November 2001, the Group had approximately HK$9,800,000 worth of contracts that were in progress. Completion of these contracts is scheduled to be in the second quarter of 2002. The loss attributable to shareholders for the year ended 30th November 2001 was HK$95,302,000 after amortising HK$12,180,000 in goodwill and HK$4,329,000 in intellectual property rights and the write off of HK$28,900,000 in goodwill and intellectual property rights.

The Group started the year by accelerating its expansion plans but then adopted a more conservative position and implemented various cost control measures as the economic downturn placed price pressures on orders received and customers became more cost cautious in purchasing e-finance and e-business products. Under this difficult operating environment, the Group had exercised prudent measures on cost control policies and decreased its operating expenditures to HK$17,797,000 in the fourth quarter, a 9.5% decrease as compared to the Group's operating expenditures of HK$19,675,000 in the first quarter of this financial year.

Of the Group's total operating expenditure, staff costs continued to represent the largest component of the total expenditure. Total staff costs amounted to approximately HK$39,650,000 in the year ended 30th November 2001, a 94% increase from approximately HK$20,484,000 for the previous period. The number of headcount reached its peak of 146 employees in February 2001 as the Group accelerated its regional expansion plans. However, to cope with the changing operating environment during the year, management reviewed the headcount policy and reduced the Group's headcount to 88 employees as at 30th November 2001 to create a more efficient infrastructure. Movements in the headcount and total staff costs of the Group during the year are illustrated in the table below:

Headcount and staff costs during the year ended 30th November 2001

	Q1	Q2	Q3	Q4
Headcount	146	124	103	88
Staff costs (inclusive of severance costs) *(HK$'000)*	10,609	13,367	9,402	6,272
Severance costs *(HK$'000)*	—	2,444	131	601

The Group continued to invest in research and development ("R&D") during this year, positioning the Group to capture its market share in the e-business software and e-finance market space when the economy recovers. During the year, the Group invested approximately HK$13,900,000 in enhancing its existing products and the development of new products to maintain its competitive edge.

Depreciation expenses increased from approximately HK$1,489,000 for the period from 2nd March 2000 to 30th November 2000 to approximately HK$3,751,000 in the current financial year. The increase was principally due to the addition of abc Australia and abc Singapore into the Group pursuant to the group reorganisation that was completed on 22nd January 2001 to rationalize the group structure in preparation for the listing of the shares of the Company on GEM.

A provision of approximately HK$1,757,000 was made for long outstanding trade receivables. Management was uncertain whether the amount would ultimately be collected due to the sluggish economy and considered that it was prudent to make such a provision.

As at 30th November 2001, the Group had outstanding borrowings of approximately HK$1,202,000 representing current accounts with the ultimate holding company which were unsecured and non-interest bearing; approximately HK$217,000 representing an overdraft facility which was secured by a HK$697,000 deposit, interest bearing at 3.5% above the Australian prime rate and repayable upon demand by the lender; and HK$10,000,000 representing a shareholder's loan from Pacific East Limited which was unsecured, interest bearing at the Hong Kong prime rate, and maturing on 22nd May 2003. During the year, the Group had not created any mortgage or charge.

The Group expresses its gearing ratio as a percentage of bank borrowing and long term debts over total assets. As at 30th November 2001, the Group's gearing ratio was 23%.

As a majority of the Group's monetary assets and liabities are denominated in Hong Kong dollars, the exchange rate risks of the Group are considered to be minimal.

Operations Review

Pursuant to a group reorganisation that took place on 22nd January 2001, the Group expanded its operations from Hong Kong to Australia and Singapore. Revenue derived from the operations in Australia and Singapore contributed positively to the Group's turnover for the year ended 30th November 2001.

During the year under review, the Group shifted its focus from local securities firms to target international banks and securities firms in recognition of the larger contract size of these customers and the potential to expand the Group's securities software to other countries in the Asia Pacific region. Turnover generated from the e-finance products was HK$20,685,000 representing an increase of 51% compared with the previous period. Although the Group has experienced revenue growth for its e-finance product in recent periods, demand has been affected by the recent economic slowdown. In order to maintain its competitive edge in the industry, the Group has leveraged its e-finance research and development capabilities by completing the development of its Octo Straight Through Processing ("Octo STP") securities software during the second quarter of the year. Additional value added extensions were also developed during the year for the Octo STP securities software which included a windows version of its global securities trading software, basket trading for portfolio hedging, and profit centers for management analysis of operation performance. These extensions products are built upon and tightly integrated with the Group's core technology and provide specifically enhanced functionality.

During the year under review, turnover for the e-business products was HK$9,092,000. In response to changing market conditions during the year, the Group shifted from a direct sales model to a high volume, low cost distribution model. The directors believe that expanding its relationships with resellers will enable the Group to gain a greater market share while minimising its sales, marketing, and operating costs. Although the business performance was mediocre during the year, the Group has seen its e-business turnover gradually gain momentum in the fourth quarter as the Group has been working diligently to expand its distribution network in the Asia Pacific region. As at 30th November 2001, the Group had increased the number of technology partners and resellers covering Australia, New Zealand, Malaysia, India, Indonesia, Korea, and Hong Kong to 100 members.

During the year, the Group opened an additional branch office in Sydney, Australia, expanded its Singapore operations to a larger office, and accelerated its entry into the People's Republic of China (the "PRC") market by opening a branch office in Shanghai. In light of the current economic downturn combined with the negative impact on consumer sentiment caused by the September 11th terrorists attack, the Group has temporarily set aside its plan of setting up regional offices in other Asian countries. In order to minimise capital and operating expenditures, the Group has opted to develop alliances and strategic partnerships with overseas corporations.

Future Prospects

The Group's strategic goal is to establish itself as a dominant player in the software industry for e-finance and e-business in the Asia Pacific region. With the global trend of market deregulation, the directors believe that the Group's award-winning software and established client base will allow it to capitalise on new opportunities in the Asia Pacific region.

The Group will continue to cautiously monitor the business environment and continue to strengthen its business foundations by focusing on its existing business and implementing prudent cost control strategies to protect the interests of its shareholders. The directors intend to grow its revenues by committing its resources to the maintenance and ongoing development of its direct and indirect sales and support channels in the Asia Pacific region. The directors believe that focusing on fundamentals will be essential to building a long-term business and capturing growth opportunities in the e-finance and e-business sectors. In year 2002, the directors expect that the tighter capital market will serve to consolidate the number of competitors occupying the e-finance and e-business market space. The directors also believe that the Group has solidified its foundation by refining its operations during the year and developing its sales organisation. This more efficient infrastructure will point the Group above its competition and towards a long-term profitable business model.

Employees

As at 30th November 2001, the Group had 88 employees. The directors believe that the quality of its employees is the most important factor in sustaining the Group's growth and improving its profitability. Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include medical scheme, share options and performance bonus.

Comparison of Business Objectives with Actual Business Progress

The following is a summary of the actual business progress of the Group compared with the business objectives set out in the prospectus of the Company dated 22nd January 2001 (the "Prospectus").

Business objectives for the period from 15th January 2001 to 31st May 2001	Actual progress
Infrastructure	
Continue to refine internal operating structure including organisational structure and reporting line for each department.	The Group reviewed and refined the internal operating structure of each department of its regional offices.
Recruit additional personnel (including managerial, sales, and marketing) for the head office and regional offices (principally Singapore and Australia) as appropriate. Recruit additional personnel in the research and development team in the PRC to cope with increased development activities as appropriate. Anticipated increase is as follows: Approx. % Sales and marketing 68 Others 13	The Group felt that it required more time to find the best possible personnel in order to expand the business progressively. During the period from 15th January to 31st May 2001, staff growth rates were as follows: Approx. % Sales and marketing 4.8 Others 3.6
Establish Singapore office as the western regional hub to support the expansion into nearby territories including countries such as Indonesia and Malaysia.	The Group had established the Singapore office as the western regional hub during the first quarter of 2001 by recruiting additional sales staff and relocating the Singapore office to accommodate the growth in operations.
Examine the viability of expanding abc Multiactive's operations in Japan, Korea and the PRC.	The Group had established a new branch office in Shanghai, the PRC and sales activities commenced in May 2001. During the second quarter of 2001, the Group had signed a memorandum of understanding to form a joint venture company to sell Entice! in Japan and reviewed the appointment of distributors in Japan and Korea to expand the Group's operations in these areas. After completing a cost and benefit analysis regarding the expansion of the Group's operations in Japan and Korea, the Group has decided to temporarily suspend its expansion plans in these areas until better market conditions.

Incorporate additional marketing materials (such as FLASH animation presentation and return on investment analysis) on the website if appropriate. Continue to redesign and fine tuning of the abc Multiactive's website to promote products and services.	During the first quarter of 2001, the Group had completed FLASH presentations to be used by the sales and marketing staff and commenced developing a return on investment presentation. The Group's website was redesigned with FLASH media during the second quarter to attract customers to the Group's products and services.
Begin negotiating with outsourcing partners in the PRC, Taiwan and other countries as appropriate.	During the first quarter of 2001, the Group had commenced negotiating with outsourcing partners in the PRC and Taiwan.
Continue to seek out suitable outsourcing partners for the purpose of localisation of abc Multiactive's software products.	During the first quarter of 2001, the Group had outsourced the Chinese localisation of Entice! 2.0.
Marketing, sales and business development	
Commence formal marketing for localised version of ecBuilder in Japan and Korea.	The Group was in advanced negotiations for the distribution of the localised version of ecBuilder in Korea. Initial negotiations commenced for the distribution of the localised version of ecBuilder in Japan.
Establish sales and business development team in the PRC and Taiwan if appropriate. Continue to explore the viability of establishing sales and business development team for m-commerce/e-business and e-finance products for the rest of the Asia countries.	The Group had established a new branch office and sales team in Shanghai, the PRC during the second quarter of 2001 with a sales and business development team of 6 personnel which had commenced activities in May 2001. The Group also reviewed the appointment of distributors in Japan, Korea, the PRC, Taiwan, Hong Kong, Australia, and Singapore. The Group also opened an additional branch office in Sydney, Australia during the first quarter of 2001.
Begin marketing effort to create brand awareness of abc Multiactive's products in the Asia Pacific region. Target markets include, but not limited to, Hong Kong, Singapore, Australia, and Japan as appropriate. Initial focus will be on organisation of seminars to promote abc Multiactive's products and participation in trade shows.	During the first quarter of 2001, the Group's marketing activities in Hong Kong focused on organising seminars to securities firms and participating in financial trade shows. The Group also held e-business seminars and built a demonstration room at its head office to exhibit the benefits of its CRM software. In Singapore and Australia, the Group's marketing activities focused on e-business and CRM trade shows.

Appoint distributors in Japan, Korea, the PRC, Taiwan, Hong Kong, Australia, and Singapore as appropriate. Continue to seek out distributors for e-business and e-finance products in the region.	During the first half of 2001, the Group had appointed one distributor in India, signed a memorandum of understanding to form a joint venture company in Japan and reviewed the appointment of distributors in Korea, the PRC, Taiwan, Hong Kong, Australia and Singapore.
Enter into bundling agreements with hardware manufacturers if appropriate. Continue to seek out partnerships with hardware manufacturers for bundling abc Multiactive's products.	During the first quarter of 2001, the Group was in initial negotiations for a bundling agreement with a software developer for the localised version of ecBuilder in Japan. After completing a cost and benefit analysis, the Group has decided to temporarily suspend negotiations until better market conditions in light of the current depressed market conditions for e-commerce software in the Asia Pacific region.
Intensify marketing campaign for the e-finance products, including Internet trading engine to securities firms in connection with AMS/3.	The Group had conducted weekly seminars during the second quarter of 2001 to market its AMS/3 compatible Octo STP software to securities firms.
Continue to market e-training product to Hong Kong banking industry. Begin to explore the possibility of modifying the e-training banking courseware to suit other industries such as insurance and other industries.	The Group was granted another e-training banking contract during the second quarter of 2001 and signed a memorandum of understanding with the University of British Columbia and The University of Hong Kong to offer an on-line marketing course to students in Hong Kong.
Continue to seek out partnerships for bundling or original equipment manufacturing opportunities.	The Group was in initial negotiations for a bundling agreement for the localised version of ecBuilder in Japan during the second quarter of 2001. After completing a cost and benefit analysis of this venture, the Group has temporarily suspended negotiations until better market conditions.
Products development	
Begin formal introduction/marketing of the localised version of ecBuilder (both simplified and traditional characters) in Hong Kong, the PRC, and/or Taiwan as appropriate. Commence preparation work on the release of Korean and other Asian language version of ecBuilder as appropriate.	The Group had commenced marketing the localised version of ecBuilder in Hong Kong during the first quarter of 2001. After completing a cost and benefit analysis, the Group has temporarily suspended the localisation of ecBuilder for other Asian languages in light of the current depressed market conditions for e-commerce software.

Begin formal establishment of the interactive multimedia division as appropriate.	The Group had formed an interactive multimedia division during the first quarter of 2001 to provide multimedia solutions to its customers.
Complete localisation of ecBuilder for Japan and Korea through joint venture partners.	During the first quarter of 2001, the Group had evaluated joint venture partners for the localisation of ecBuilder in Korea and Japan. In light of the current depressed market conditions for e-commerce software, the Group has temporarily suspended the localisation of ecBuilder for other Asian languages.
Complete localisation of the Chinese version of Entice!.	The Group had released the Chinese simplified and traditional version of Entice! 2.0 during the second quarter of 2001.
Commence localisation of Entice! for Japan and Korea as appropriate.	The Group had successfully tested double-byte enablement of the Korean version of Entice and was working on the user interface during the second quarter of 2001. The Group also evaluated joint venture partners for the localisation of ecBuilder in Japan and to complete the localisation of ecBuilder in Korea. The Group also signed a memorandum of understanding to form a joint venture company for the localisation and sales distribution of Entice! in Japan. In view of the current conditions, the Group has temporarily suspended its plan to localise Entice! for Japan and Korea until better market conditions.
Development work of e-bidding engine to be completed. Source code will be productised and will be added to the list of software solutions offered by abc Multiactive.	Development work for the Group's e-bidding application had already been completed in the first quarter of 2001. The Group has already delivered a localised version of its software to Korea and is currently working on closing another contract in Hong Kong for its e-bidding application.
Complete development of Pan Asian Internet trading engine in Octofront.	The Group had negotiated with joint venture partners to assist in the development of a multi-market version of Octofront. During the third quarter of 2001, the Group completed the development of Octo SPIDER, the windows version of its Global trading application.

Continue to refine and develop additional contents for its e-training packages for banks.	During the first quarter of 2001, the Group researched various multimedia techniques to add to its ensemble of features for its e-training packages.
Continue development of Octofront and Octoback multiplatform version 2.	The Group plans to release version 2 of Octofront and Octoback multiplatform by 2002. In addition, the Group completed the development of Octo STP during the second quarter of 2001.
Begin research of integrating Entice! (including its CRM functionalities) into a e-finance software - Octofront.	During the second quarter of 2001, the Group had commenced feasibility study on the integration of its CRM product and e-finance software. In addition, the Group commenced development of a PDA application for Entice!

Strategic investment and partnership

Begin to locate suitable joint venture partners for e-finance products in the PRC.	During the second quarter of 2001, the Group commenced sourcing for joint venture partners for its e-finance products in the PRC through its Shanghai branch office.

Business objectives for the period from 1st June 2001 to 30th November 2001 (the "Review Period")	Actual progress
Infrastructure	
Continue to refine internal operating structure including organisational structure and reporting line for each department.	The Group is currently reviewing and refining the internal operating structure of each department of its regional offices.
Recruit additional personnel (including managerial, sales, and marketing) for the head office and regional offices (principally Singapore and Australia) as appropriate. Recruit additional personnel in the research and development team in the PRC to cope with increased development activities as appropriate. Anticipated increase is as follows: Approx. % Sales and marketing 23 Research and development 7 Others 9	In light of the current economic downturn, the Group temporarily froze its headcount and adopted a more conservative approach to develop alliances and strategic partnerships in order to minimise its operating expenditures.
Examine the viability of expanding abc Multiactive's operations to other parts of the Asia Pacific region.	In light of the current economic downturn, the Group has temporarily set aside its plan of setting up regional offices in other parts of the Asian Pacific region. In order to minimise capital and operating expenditures, the Group has opted to develop alliances and strategic partnerships with overseas corporations. During the Review Period, the Group had expanded its distribution network with partners in New Zealand, Malaysia, the PRC and India.
Increase e-finance sales and support team for the PRC, Australia, and Malaysia as appropriate.	The Group temporarily froze the headcount of its e-finance sales and support team in favour of strategic alliances with resellers and consultants.

Continue to market e-training product to Hong Kong banking industry. Develop sales strategy for the modified e-training courseware. Continue to explore the possibility of modifying the e-training banking courseware to suit other industries.	The Group had signed a tri-party agreement with the University of British Columbia and The University of Hong Kong - School of Professional and Continuing Education to offer an on-line marketing course to students in Hong Kong. The Group is currently working with The University of Hong Kong on details for marketing the course and expects to be able to launch the course by the third quarter of 2002.
Enter into outsourcing partnership arrangements in the PRC and Taiwan as appropriate. Begin negotiation with outsourcing partners in Korea, and other countries as appropriate. Continue to seek out suitable outsourcing partners in other countries in the region for the purpose of localisation of abc Multiactive's software products.	The Group had signed distribution agreements with 8 resellers in the PRC. The Group is also sourcing local partners in the PRC for the localisation of Entice! 3.0.
Marketing, sales and business development	
Continue to expand the sale and business development team by approximately 30 members (both direct sales and indirect sales such as VARs and distributors) for Hong Kong, Singapore, and Australia and the rest of the region as appropriate.	In light of the current economic downturn, the Group has temporarily froze the headcount of its sales and support team in favour of strategic alliances with resellers and consultants. The Group increased the number of resellers in the Asia Pacific region by approximately 25 members during the Review Period.
Establish the sales and business development team in the Philippines as appropriate. Continue to explore the viability of establishing sales and business development team for m-commerce/e-business and e-finance products for the rest of the Asian countries.	The Group is conducting feasibility study for localising its e-finance software for Malaysia, Indonesia, and the PRC.
Continue marketing effort to create brand awareness of abc Multiactive's products in the Asia Pacific region. Target markets include, but are not limited to, Taiwan, Korea and the PRC and Malaysia as appropriate.	The Group held several seminars at its head office in Hong Kong that was attended by over 200 representatives from securities firms to showcase its new developments for its e-finance software in October 2001. The Group also actively participated in e-business and CRM trade shows throughout the Review Period in Hong Kong, Australia and Singapore.
Expand sales channel program for Asia Pacific Region.	During the Review Period, the Group increased the number of resellers of its products from 75 to 100 members.

Complete development of Octofront and Octoback multiplatform Version 2 as appropriate. Commence development of new version.	The Group intends to release version 2 of Octofront and Octoback multiplatform by the end of 2002. In addition, the Group completed the development of Octo STP during the second quarter of 2001.
Appoint additional distributors in the PRC, Singapore, Malaysia and Korea, Australia, and Thailand as appropriate. Continue to seek out distributors for the e-business and e-finance products in the region including the Philippines.	The Group is reviewing the appointment of distributors in the PRC, Hong Kong, Australia, Malaysia, and Singapore. The Group increased the number of resellers in the Asia Pacific region by approximately 25 members during the Review Period.
Commence marketing of Octofront and Octoback Version 2 multiplatform as appropriate.	The Group plans to release version 2 of Octofront and Octoback multiplatform by the end of 2002.
Products development	
Interactive multimedia division, commence formally operation, as appropriate.	Interactive multimedia division had commenced formal operation during the second quarter of this financial year. In light of the intensive competition from this market and slim profit margins from this division, the Group has decided to temporarily suspend the operations of the division.
Complete localisation of Entice! for Japan and Korea through joint venture partners.	After completing a cost and benefit analysis for the localisation of Entice! for Japan, the Group has temporarily suspended pursuing this objective until it can locate a suitable joint venture partner.
Commence localisation of ecBuilder for Malaysia as appropriate.	In light of the current depressed market conditions for e-commerce software in the Asia Pacific region, the Group has decided to temporarily suspend its objective to localise ecBuilder for the Malaysian market until better market conditions.
Continue development of Octo and Entice! modules.	The Group completed the development of value-added extensions for its Octo software which included a windows version of its global trading software, basket trading for portfolio hedging, and profit centers for management analysis of operations performance. The Group had also completed the development of additional functionality for its PDA application for Entice!.

Complete the set up of pan-Asia Internet trading application in Octofront and work closely with product market managers to enhance the product functions.	The Group had completed the development of a windows version (Octo SPIDER) and an Internet version (Octoweb) of its pan-Asian Internet trading application during the third quarter of 2001.
Continue to refine and develop additional contents for its e-training package for banks.	In light of the current economic downturn and reduced training/IT budgets of most firms in the banking industry, the Group has decided to temporarily suspend the refinement and development of additional contents of its e-training packages.
Complete development of the ASP application.	The Group had planned to release its ASP application by the end of this year. However, due to lackluster demand coupled with the recent economic downturn, a decision has been made to temporarily suspend development of its ASP application until better market conditions.
Strategic investment and partnership	
Enter agreements with joint venture partners for e-finance partners for e-finance products in the PRC and other countries in the region as appropriate.	The Group is in the initial stages of negotiations for the appointment of business partners to sell its e-finance products in Malaysia and Indonesia.
Continue to locate suitable joint venture partners for e-finance products in the PRC and other countries in the region as appropriate. Commence discussion with suitable joint venture partners if suitable candidates located.	The Group is sourcing joint venture partners for its e-finance products in the PRC through its Shanghai branch office and contacts in Hong Kong. The Group has held initial discussions for joint venture opportunities with various software and hardware firms.

Use of Proceeds

The Company obtained net proceeds, after deducting related expenses, of approximately HK$40 million from the new issue of shares by way of placing. During the period from 31st January 2001 (the date of listing of the Company's shares on GEM) to 30th November 2001, the Group has applied the net proceeds as follows:

	Budgeted amount to be used up to 31st May 2002 as extracted from the Prospectus HK$million	Actual amount used up to 30th November 2001 HK$million	Note
Expenditure in relation to technology investments, research and development of new products, and localisation of existing products for the Asia Pacific region.	10.00	13.90	1
Regional promotion, advertising and marketing activities	5.00	2.91	2
Expansion of sales infrastructure and the capacity of the implementation and and consulting services group including setup of offices for distribution and sales in different countries in the region.	10.00	9.45	3
Strategic acquisitions and investments	10.00	—	4
Working capital purposes	5.00	12.80	5
Total	40.00	39.06	

Notes :

1. The excess utilisation is attributed to the Group's decision to accelerate the development of the Group's Octo and Entice! software. During the year, the Group accelerated and completed the development of the standard version of Octo STP and a PDA application that is compatible with Entice!. In the second half of 2001, the Group also developed value added extensions for its Octo STP which included Octo SPIDER which is a windows version of its global trading application, basket trading for portfolio hedging, and profit centers for management to track operational efficiency and overall performance.

2. The under utilisation is attributed to the Group's decision to adopt a more conservative position since the third quarter of this year to implement various cost control measures by resorting to more cost effective methods of marketing such as holding seminars and direct mailing in lieu of above-the-line marketing such as media advertising.

3. With regards to the aforesaid HK$10,000,000 of the net proceeds allocated for expansion of sales infrastructure, the amount had been applied for such intended purpose during the Review Period.

4. The Group had originally planned to acquire technologies that could complement its existing suite of products. However, the Group was not able to locate any suitable technology partners. The Group decided to develop such technology by itself. As a result, HK$3,900,000 was reallocated to the development of Octo STP extensions and PDA technology. The balance of HK$6,100,000 was temporarily used as general working capital.

5. The excess utilisation is attributable to (i) the unexpected severance cost of HK$3,200,000 resulted from the refining of internal operating structure during the year and (ii) additional amount of HK$4,600,000 was added to the working capital of the Group due to the economic downturn which placed price pressures on orders received and customers became more cautious in purchasing e-finance and e-business products.

The directors currently anticipate that with the available cash resources, cash generated from operations, amounts available under its banking facilities, combined with the remaining net proceeds and the shareholder’s loan from Pacific East Limited, there will be no material effects on the business plan of the Group and the funds will be sufficient to meet the presently anticipated working capital requirements of the Group for the foreseeable future.

The directors are pleased to submit their annual report together with the audited accounts for the year ended 30th November 2001.

Group reorganisation

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 ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries listed under note 13 to the accounts. The shares of the Company were listed on GEM on 31st January 2001.

Details of the group reorganisation and the basis of presentation of these accounts are 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 (the "Prospectus"), set out in the supplementary unaudited financial information on page 67 to 71 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.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of its subsidiaries are set out in note 13 to the accounts.

An analysis of the Group's performance for the year by principal activities and geographical segments is set out in note 3 to the accounts.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 34.

The directors do not recommend the payment of a dividend.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 20 to the accounts.

Donations

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

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.

Distributable reserves

As at 30th November 2001, the Company has no distributable reserves (2000: HK$38,576,000) calculated under the Companies Act 1981 of Bermuda (as amended) and the Company's bye-laws.

Subsidiaries

Details of the Company's subsidiaries as at 30th November 2001 are set out in note 13 to the accounts.

Pre-emptive rights

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

Group financial summary

A summary of the results, assets and liabilities of the Group is set out below:

	Year ended 30th November 2001	Period from 2nd March 2000 (date of Incorporation) to 30th November 2000
	HK$'000	*HK$'000*
Turnover	**29,777**	25,213
Loss for the year/period	**(95,302)**	(20,638)

	30th November 2001	30th November 2000
	HK$'000	*HK$'000*
Total assets	**49,391**	92,738
Total liabilities	**(29,631)**	(21,576)
Net assets	**19,760**	71,162

The turnover, loss for the year/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 the Company was not yet established.

Purchase, sale or redemption of listed securities

During the period from 31st January 2001 (the date of listing of the Company's shares on GEM) to 30th November 2001, the Company has not redeemed any of its listed securities. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

Share options

Details of the share option scheme and outstanding share options of the Company as at 30th November 2001 are set out in note 19 to the accounts.

The directors consider that it is not appropriate to disclose the value of options granted during the year as the market price of the Company's shares as at 30th November 2001 was below the exercise prices of the options granted and any valuations of the options would be subject to a number of assumptions that would be subjective and uncertain.

Directors

The directors during the year and up to the date of this report were:

Executive directors

Mr. Terence Chi Yan Hui
Mr. Anthony Wai Hung Au (resigned on 1st February 2002)
Mr. Joseph Chi Ho Hui

Non-executive director

Mr. Kau Mo Hui

Independent non-executive directors

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

In accordance with Bye-law 87 of the Company's bye-laws, Mr. Ronald Kwok Fai Poon retires by rotation and, being eligible, offers himself for re-election.

The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's bye-laws.

Directors' service contracts

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.

Directors' interests in contracts

Details of Mr. Terence Chi Yan Hui and Mr. Kau Mo Hui's interest in contracts of significance in relation to the Group's business are set out in note 24 to the accounts.

Save as disclosed above, no contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holdings companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS

Executive directors

Mr. Terence Chi Yan HUI, aged 38, is the Chairman of the Company. He is responsible for the strategic direction of the Group. He received his Bachelor Degree in Physics from the University of California - Berkeley, USA and earned a Master Degree in Electrical Engineering from Santa Clara University in California, USA. He joined the Group in March 2000.

Mr. Hui is also the chairman of Vancouver-based, Multiactive Software Inc., the ultimate holding company of the Company. He is the president and chief executive officer of Concord Pacific Group Inc., a Toronto Stock Exchange listed company. Concord Pacific Group Inc. is the developer of the CAN$3 billion Concord Place project on old Expo lands in Vancouver, Canada and the CAN$1.5 billion CityPlace project in Toronto, Canada.

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

Mr. Anthony Wai Hung AU, aged 50, is the Managing Director of the Group. He has been one of the pioneers in the growth of Hong Kong's information technology industry for over a quarter of a century. He joined the Group in March 2000.

Mr. Au received his Bachelor 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, he was appointed to serve in the Financial Secretary's Financial Information Infrastructure Steering Committee.

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

Mr. Joseph Chi Ho HUI, aged 31, joined the Group in November 2000. He received his undergraduate degree in Electrical Engineering from the University of British Columbia, Canada and earned a Master Degree in Electrical Engineering from Stanford University - California, USA. 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. He is the brother of Mr. Terence Chi Yan Hui.

Non-executive director

Mr. Kau Mo HUI, aged 69, joined the Group in March 2000. He is the chairman of Wing Hong Construction Company Limited. Wing Hong Construction Company Limited is a privately held company and its principal business is real estate development. Mr. Hui is the father of Mr. Terence Chi Yan Hui and Mr. Joseph Chi Ho Hui.

Independent non-executive directors

Mr. Ronald Kwok Fai POON, aged 52, is a solicitor and notary public practicing in Hong Kong with over 19 years of experience in the legal profession. Mr. Poon became an independent non-executive director of the Company in March 2000.

Mr. Clifford Sau Man NG, aged 35, is a corporate lawyer and managing director of the Hong Kong branch office of a Canadian law firm. He received his Bachelor Degree in Economics from the University of British Columbia in Canada and his LL.B. from Dalhousie Law School in Canada. Mr. Ng became an independent non-executive director of the Company in March 2000.

SENIOR MANAGEMENT

Mr. Billy Kin Wah CHAN, aged 38, is the Chief Financial Officer of the Group and the Company Secretary of the Company. He is responsible for the financial control and management of the Group. Prior to joining the Group in July 2001, he worked in the audit and accounting field for over 12 years and has over 8 years of working experience in listed companies. He holds a Bachelor Degree in Administration from the University of Ottawa in Canada and a Master Degree in Professional Accounting from the University of New South Wales in Australia. He is an associate member of the Hong Kong's Society of Accountants, a CPA member of the CPA Australia and a non-practicing member of the Chinese Institute of Certified Public Accountants.

Mr. Peter Kam Sing TONG, aged 43, is the Chief Technology Officer of the Group. He holds a Bachelor Degree in Computer and Information Systems from the University of London in 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. He has over 18 years of experience in managing information technology projects. He specialises in the banking, finance and the commerce sectors and has worked for Dah Sing Bank and ANZ Banking Group amongst others. In March 1994, he joined ABC Data & Telecom Limited (the former name of abc Multiactive (Hong Kong) 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. He re-joined the Group in May 2000.

Mr. Frank Hing Fat HUNG, aged 41, is the Chief Operating Officer of the Group's e-business operations. He has over 18 years experience in the IT industry, including international management in Asia, Australia and Canada. Prior to joining the Group in November 2000, he held various senior positions, including acting chief operating officer - Asia, for Powerlan Limited ("Powerlan"). While at Powerlan, he played an instrumental role in the initial merger of CSSL and Powerlan and lead the integration of the companies' instrastructure, operations and combined services and solutions.

Mr. Stephen Ping Hong HO, aged 43, is the Director of Operations of abc Multiactive (Hong Kong) Limited. He is responsible for managing the Group's e-finance quality assurance, customer support and professional services departments. He has over 20 years experience in running IT operations in Asia Pacific and the Greater China regions, ranging from computer and communications, system support, networking e-business and web development.

Mr. Samson Chi Yang HUI, aged 30, is the Chief Operating Officer of the Group. He is responsible for initiating and leading negotiations for mergers and acquisitions opportunities of the Group, as well as managing the Group's regional sales and marketing activities. He has over 8 years experience in managing real estate, trading, investment and IT businesses.

Mr. Senan Shiu Lung YUEN, aged 30, is the Corporate Finance Manager of the Group. Prior to joining the Group in February 2000, he worked at CM Oliver & Co. Ltd. in Canada for 5 years managing various corporate exercises such as mergers and acquisitions, risk management and listing of small to medium capitalisation companies on the Canadian Venture Exchange. He holds a Bachelor Degree in Finance from the University of British Columbia in Canada.

Connected transactions

The related party transactions, disclosed in note 24 to the accounts, constituted connected transactions under Chapter 20 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules"). The connected transactions during the year were as follows:

1) The Group entered into a software assignment agreement with Multiactive Software Inc. ("MSI"), the ultimate holding company of the Company, on 22nd January 2001, whereby MSI transferred certain intellectual property rights (including copyright, trademarks and proprietary technology) for the Asia Pacific region in relation to Entice!, Maximizer, Maximizer Enterprise, ecBuilder and their respective product lines to the Group for a consideration of approximately HK$15,585,000.

2) Pursuant to a joint development agreement dated 22nd January 2001, entered into between MSI and the Group, MSI and the Group granted each other reciprocal rights to participate in further development of the software called Entice!, Maximizer, Maximizer Enterprise, ecBuilder and their respective product lines and in the development of new software titles.

   On 26th May 2001, the Group exercised its option under the joint development agreement to participate in the development of Entice! 3.0. The cost of such participation was approximately HK$808,000.

   The transaction falls within Rule 20.23 of the GEM Listing Rules as the total consideration is less than the higher of (a) HK$1,000,000 or (b) 0.03% of the consolidated net tangible assets of the Company. Such transaction was therefore exempted from the reporting, announcement and shareholders' approval requirements.

   The independent non-executive directors reviewed the above connected transaction and confirmed that at the time of the transaction, it was carried out under normal commercial terms, in the ordinary course of business of the Group and on an arm's length basis, and was fair and reasonable insofar as the shareholders of the Company are concerned.

3) On 22nd November 2001, Pacific East Limited advanced HK$10,000,000 to the Company. In consideration of the advance, the Company issued a promissory note to Pacific East Limited on the same day. The promissory note is unsecured, bears interest at Hong Kong prime rate per annum and is repayable on 22nd May 2003.

   Pacific East Limited is wholly owned by The City Place Trust. The City Place Trust is a discretionary trust and its beneficiaries are Mr. Chi Yung Hui and Ms. Chu Yuen Lam. Mr. Chi Yung Hui and Ms. Chu Yuen Lam are, respectively, the son and spouse of Mr. Kau Mo Hui, a non-executive director of the Company. As such, the issuance of the promissory note was a connected transaction.

   The independent non-executive directors reviewed the above connected transaction and confirmed that the issuance of the promissory note was (a) for the benefit of the Company, (b) was on better than normal commercial terms, and (c) there was no security over the assets of the Company granted in favour of Pacific East Limited in respect of the promissory note. Such transaction was therefore exempted from the reporting, announcement and shareholders' approval requirements.

4) During the year, the Group purchased software merchandise in the amount of approximately HK$393,000 from MSI for re-sale. The directors are of the opinion that the transactions were carried out in the normal course of business of the Group.

The transaction falls within Rule 20.23 of the GEM Listing Rules as the total consideration is less than the higher of (a) HK$1,000,000 or (b) 0.03% of the consolidated net tangible assets of the Company. Such transaction was therefore exempted from the reporting, announcement and shareholders' approval requirements.

Directors' interests in equity or debt securities

At 30th November 2001, the interests of the directors and chief executives and their respective associates in the share capital of the Company and its associated corporations as recorded in the register required to be kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or which required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Stock Exchange were as follows:

a) *The Company:*

	Number of ordinary shares of HK$0.01 each			
Name of directors	**Personal interests**	**Family interests**	**Corporate interests**	**Total**
Mr. Anthony Wai Hung Au	—	—	125,000,000[(1)]	125,000,000
Mr. Kau Mo Hui	—	86,667,096[(2)]	—	86,667,096

Notes:

1. These shares are held by Asian 2000 Limited which 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. These shares are held by Pacific East Limited which is wholly owned by The City Place Trust. The City Place Trust is a discretionary trust and its beneficiaries are Mr. Chi Yung Hui and Ms. Chu Yuen Lam. Mr. Chi Yung Hui and Ms. Chu Yuen Lam are, respectively, the son and spouse of Mr. Kau Mo Hui. The interests held by Mr. Chi Yung Hui and Ms. Chu Yuen Lam are deemed to be part of the interest of Mr. Kau Mo Hui.

	Options in the Company				
Name of directors	**Granted**	**Exercised**	**As at 30th November 2001**	**Date of grant**	**Exercise prices**
Mr. Terence Chi Yan Hui	4,800,000	—	4,800,000	17th April 2001	HK$0.3625
	480,000	—	480,000	28th May 2001	HK$0.4675
Mr. Anthony Wai Hung Au	4,800,000	—	4,800,000	17th April 2001	HK$0.3625
	480,000	—	480,000	28th May 2001	HK$0.4675

These options expire ten years from the date of grant and are exercisable over four years from the date of grant, with one quarter exercisable on each anniversary date from the date of grant.

b) Associated Corporations:

Name of directors	Number of common shares in Multiactive Software Inc. Personal interests	Family interests	Corporate interests	Total
Mr. Terence Chi Yan Hui	2,237,153	—	—	2,237,153
Mr. Anthony Wai Hung Au	—	—	1,362,524[1]	1,362,524
Mr. Joseph Chi Ho Hui	17,295	10,000[2]	—	27,295
Mr. Kau Mo Hui	70,000	40,949,625[3]	—	41,019,625

Notes:

1. These shares are held by 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. These shares are held by Mr. Joseph Chi Ho Hui's spouse, Ms. Susanna Chow. The interest held by Ms. Susanna Chow is deemed to be part of the interest of Mr. Joseph Chi Ho Hui.

3. These shares are held by The 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 share capital of Multiactive Software Inc.. The City Place Trust is a discretionary trust and its beneficiaries are Mr. Chi Yung Hui and Ms. Chu Yuen Lam. Mr. Chi Yung Hui and Ms. Chu Yuen Lam are, respectively, the son and spouse of Mr. Kau Mo Hui. The interests held by Mr. Chi Yung Hui and Ms. 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 Ms. Chu Yuen Lam. Mr. Terence Chi Yan Hui and Ms. Chu Yuen Lam are, respectively, the son and spouse of Mr. Kau Mo Hui. The interest held by Ms. Chu Yuen Lam is deemed to be part of the interest of Mr. Kau Mo Hui.

Name of directors	Options in Multiactive Software Inc. Granted	Exercised	As at 30th November 2001	Date of grant	Exercise prices
Mr. Terence Chi Yan Hui	100,000	—	100,000	6th May 1999	CAN$1.00
	250,000	—	250,000	23rd June 2000	CAN$2.75
Mr. Joseph Chi Ho Hui	75,000	—	75,000	6th May 1999	CAN$1.00

These options expire seven years from the date of grant and are 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.

At no time during the year, the directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of the SDI Ordinance).

Substantial shareholders

At 30th November 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows 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	Percentage of issued share capital
Multiactive International Limited	905,344,000	56.38%

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 year.

Major customers and suppliers

During the year, the Group sold less than 30% of its goods and services to its 5 largest customers.

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

Purchases	
— the largest supplier	45%
— five largest suppliers combined	90%

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) had an interest in the major suppliers noted above.

Board practices and procedures

During the period from 31st January 2001 (the date of listing of the Company's shares on GEM) to 30th November 2001, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

Audit committee

Pursuant to the GEM Listing Rules, an audit committee, comprising two independent non-executive directors, namely Messrs. Ronald Kwok Fai Poon and Clifford Sau Man Ng, was established on 22nd January 2001.

The written terms of reference which describe the authorities and duties of the audit committee were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Society of Accountants.

The audit committee provides an important link between the board of directors and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the financial reporting process and the adequacy and effectiveness of the Group's internal control system. Four meetings were held during the current financial year.

Directors' interest in competing business

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

Mr. Terence Chi Yan Hui, the Chairman and an executive director of the Company, is also the chairman of MSI. 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 Group share the same product lines including, Entice!, Maximizer, Maximizer Enterprise, ecBuilder and their respective product lines. The directors believe that the business of MSI and possible future businesses conducted by Multiactive International Limited, which is a wholly owned subsidiary of 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 that 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 are interested in any business that competes with or is likely to compete with the business of the Group.

Sponsor's interest

As at 30th November 2001, neither BNP Paribas Peregrine Capital Limited (the "Sponsor") nor its directors or employees or associates, had any interests in the securities of the Company or any member of the Group or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the agreement dated 22nd January 2001, entered into between the Company and the Sponsor, the Sponsor has received usual sponsorship fees for acting as the Company's retained sponsor for the period from 22nd January 2001 to 30th November 2003.

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

22nd February 2002

PRICEWATERHOUSECOOPERS
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 34 to 66 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 of the Group as at 30th November 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22nd February 2002

Consolidated Profit and Loss Account

For the year ended 30th November 2001

	Note	**For the year ended 30th November 2001**	For the period from 2nd March 2000 (date of incorporation) to 30th November 2000
		HK$'000	*HK$'000*
Turnover	3	**29,777**	25,213
Cost of sales		**(20,633)**	(6,773)
Gross profit		**9,144**	18,440
Other revenues	3	**525**	1,125
Software research and development expenses		**(7,645)**	(5,889)
Royalty expenses		**(298)**	(3,765)
Selling and marketing expenses		**(14,660)**	(5,658)
Administrative expenses		**(37,200)**	(15,677)
Amortisation of intangible assets		**(16,509)**	(9,135)
Impairment of intangible assets		**(28,900)**	—
Operating loss	4	**(95,543)**	(20,559)
Finance costs	5	**(173)**	(79)
Loss before taxation		**(95,716)**	(20,638)
Taxation credit	6	**414**	—
Loss for the year/period	7,20	**(95,302)**	(20,638)
		HK cents	*HK cents (restated)*
Basic loss per share	8	**(6.17)**	(1.78)

Consolidated Balance Sheet

As at 30th November 2001

	Note	2001 HK$'000	2000 HK$'000
Fixed assets	11	**7,790**	7,439
Intangible assets	12	**21,941**	51,765
Loans to fellow subsidiaries		**—**	6,899
Current assets			
Inventories	14	**258**	—
Work in progress		**324**	419
Amount due from a shareholder		**—**	3,500
Trade and other receivables	15	**8,245**	10,448
Taxation recoverable		**—**	584
Pledged bank deposits	25	**1,197**	500
Bank balances and cash		**9,636**	11,184
		19,660	26,635
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		**15,338**	6,215
Deferred revenue		**2,465**	2,033
Obligations under finance leases - current portion	21	**409**	424
Bank overdraft, secured	25	**217**	—
		18,429	21,226
Net current assets		**1,231**	5,409
		30,962	71,512
Financed by:			
Share capital	18	**16,059**	12,264
Reserves	20	**3,701**	58,898
Shareholders' funds		**19,760**	71,162
Promissory note payable to a shareholder	16	**10,000**	—
Amount due to the ultimate holding company	17	**1,202**	—
Obligations under finance leases - non-current portion	21	**—**	350
		30,962	71,512

Terence Chi Yan Hui
Director

Joseph Chi Ho Hui
Director

Balance Sheet

As at 30th November 2001

	Note	**2001** *HK$'000*	2000 *HK$'000*
Investments in subsidiaries	13	**66,385**	85,527
Loans to fellow subsidiaries		**—**	6,899
Current assets			
Amount due from a shareholder		**—**	3,500
Trade and other receivables	15	**22**	4,435
Pledged bank deposit	25	**697**	—
Bank balances and cash		**9,030**	49
		9,749	7,984
Current liabilities			
Promissory note payable to a shareholder	16	**—**	7,200
Other payables and accrued charges		**367**	434
		367	7,634
Net current assets		**9,382**	350
		75,767	92,776
Financed by:			
Share capital	18	**16,059**	12,264
Reserves	20	**49,708**	80,512
Shareholders' funds		**65,767**	92,776
Promissory note payable to a shareholder	16	**10,000**	—
		75,767	92,776

Terence Chi Yan Hui
Director

Joseph Chi Ho Hui
Director

Consolidated Cash Flow Statement

For the year ended 30th November 2001

	Note	For the year ended 30th November 2001 HK$'000	For the period from 2nd March 2000 (date of incorporation) to 30th November 2000 HK$'000
Net cash outflow from operating activities	22(a)	**(38,800)**	(19,864)
Returns on investments and servicing of finance			
Interest received		**525**	1,108
Interest paid		**(173)**	(79)
Net cash inflow from returns on investment and servicing of finance		**352**	1,029
Taxation			
Hong Kong profits tax refunded/(paid)		**998**	(146)
Investing activities			
Purchase of fixed assets		**(1,986)**	(7,612)
Purchase of intellectual property rights		**(15,585)**	—
Acquisition of subsidiaries	22(d)	**(396)**	(14,251)
Loans advanced to fellow subsidiaries		**—**	(6,899)
Repayment of amount due from a shareholder		**3,500**	—
Increase in pledged bank deposit		**(697)**	(500)
Net cash outflow from investing activities		**(15,164)**	(29,262)
Net cash outflow before financing		**(52,614)**	(48,243)
Financing	22(b)		
Issue of ordinary shares		**65,251**	59,550
Share issue expenses		**(16,692)**	—
Advance from a shareholder through issue of a promissory note		**10,000**	—
Repayment of promissory note payable to a shareholder		**(7,200)**	—
Repayment of capital element of finance leases		**(510)**	(123)
Net cash inflow from financing		**50,849**	59,427

Consolidated Cash Flow Statement

For the year ended 30th November 2001

	Note	**For the year ended 30th November 2001** **HK$'000**	For the period from 2nd March 2000 (date of incorporation) to 30th November 2000 HK$'000
(Decrease)/increase in cash and cash equivalents		**(1,765)**	11,184
Cash and cash equivalents as the beginning of year/period		**11,184**	—
Cash and cash equivalents as at the end of year/period		**9,419**	11,184
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		**9,636**	11,184
Bank overdrafts		**(217)**	—
		9,419	11,184

Consolidated Statement of Recognised Gains and Losses

For the year ended 30th November 2001

	Note	**For the year ended 30th November 2001** *HK$'000*	For the period from 2nd March 2000 (date of incorporation) to 30th November 2000 *HK$'000*
Exchanges differences arising on translation of subsidiaries	20	**1,201**	—
Loss for the year/period	20	**(95,302)**	(20,638)
Total recognised losses		**(94,101)**	(20,638)
Goodwill arising from group reorganisation eliminated directly against reserves	20	**(25,278)**	—
		(119,379)	(20,638)

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

(i) On 16th December 2000, two shares of S$1.00 each of abc Multiactive (Singapore) Pte. Ltd. (formerly known as Multiactive Software (Singapore) Pte. Limited) ("abc Singapore") were transferred by Multiactive Software Pty. Limited ("abc Australia"), a wholly owned subsidiary of Multiactive Software Inc. ("MSI"), to the Company for a cash consideration of S$2.00.

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

The accounts for the year ended 30th November 2001 have been prepared using acquisition accounting in accordance with Statement of Standard Accounting Practice ("SSAP") No. 27 "Accounting for Group Reconstructions". In applying acquisition accounting, the results of subsidiaries acquired during the year are included in the accounts from the effective date of their acquisition.

(c) 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.

(d) During the year, the Group incurred a loss of HK$95,302,000. The ultimate holding company, MSI, has agreed to provide financial support to the Group to continue its operations in the foreseeable future and to meet the Group's liabilities as they fall due. Furthermore, a shareholder of the Company, Pacific East Limited, has confirmed that it will not demand repayment of its promissory note in the amount of HK$10,000,000 within twelve months from the balance sheet date and has agreed to extend the maturity date of the promissory note to 22nd May 2003.

The directors are satisfied based upon all of the information available to them that it is appropriate to prepare the accounts on a going concern basis.

2 Principal accounting policies

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

(a) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 30th November. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year 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.

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

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 unamortised goodwill or goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and also any related accumulated foreign currency translation reserve.

Minority interests represent the interests of outside 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 for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction 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. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

2 Principal accounting policies *(continued)*

(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 Group 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 straight-line 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.

(c) Fixed assets

Fixed assets, comprising leasehold improvements, furniture and fixtures, office equipment and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses. Fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates used for this purpose is 20% to 33.3%.

Major costs incurred in restoring the fixed assets to their normal working condition to allow continued use of the overall asset are capitalised and depreciated over their expected useful lives to the Group. Improvements are capitalised and depreciated over their expected useful lives to the Group.

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

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.

2 Principal accounting policies *(continued)*

(d) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(e) Intangible assets

(i) Goodwill

Goodwill represents the cost of an acquisition over the fair values of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. The Group eliminates goodwill arising from different acquisitions on consolidation and group reorganisation either by immediate elimination to reserves or by amortisation through the consolidated profit and loss account. Where amortisation is adopted, goodwill 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.

In January 2001, the Hong Kong Society of Accountants issued SSAP 30 "Business combinations" and SSAP 31 "Impairment of assets". These new SSAPs became effective for any accounting periods beginning on or after 1st January 2001. Accordingly, the Group will adopt these new SSAPs in preparing its accounts for the year ending 30th November 2002 as it was not required to adopt these SSAPs in preparing its accounts for the current year.

In June 2001, the Hong Kong Society of Accountants issued Interpretation No. 13 "Goodwill-continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserve" which provides guidance on the application of SSAPs 30 and 31 regarding the accounting for impairment of goodwill that was previously debited to/eliminated against reserves under the former Accounting Guideline 2.204.

2 Principal accounting policies *(continued)*

(e) Intangible assets *(continued)*

(i) Goodwill *(continued)*

The requirements of these new SSAPs and Interpretation differ significantly, in some aspects, from the accounting policies currently adopted by the Group. According to the Group's existing accounting policy, goodwill is eliminated either by immediate elimination to reserves or by amorisation through the consolidated profit or loss account. No provision is made against any subsequent impairment in the value of goodwill taken to reserves. However, SSAP 31 and Interpretation 13 will require the carrying amount of goodwill (including goodwill that has previously been taken directly to reserves and not restated in accordance with the transitional provisions in SSAP 30) to be reviewed periodically. If there is an indication of impairment, the impairment should be dealt with in the consolidated profit and loss account.

Had SSAP 31 and SSAP 30 been adopted for the current year, the Group's consolidated profit and loss account would have had to include an impairment loss of HK$25,278,000. There was an indication that the goodwill amounting to HK$25,278,000 arising and taken to reserves during the year ended 30th November 2001 (note 20(b) to the accounts) had suffered impairment. Such impairment loss has not been recognised in the Group's consolidated profit and loss account under its existing accounting policies. With the adoption of SSAP 30 and SSAP 31 effective from 1st December 2001 and upon the preparation of the financial statements of the Group for the year ending 30th November 2002, such impairment loss of HK$25,278,000 would be reflected in the consolidated profit and loss account for the year ended 30th November 2001 and the loss for the year ended 30th November 2001 of HK$95,302,000 would have to be increased by HK$25,278,000 and be restated to a loss for the year of HK$120,580,000.

(ii) Intellectual property rights on software

Expenditure on acquired intellectual property rights on software is capitalised and amortised using the straight-line method over their useful lives, but not exceeding 3 years. The carrying value of intellectual property rights is reviewed annually and written down for permanent impairment where it is considered necessary.

2 Principal accounting policies *(continued)*

(e) Intangible assets *(continued)*

(iii) Software research and development costs

Software research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved software products are recognised as an intangible asset where the technical feasibility and intention of completing the software product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. During the year, all software research and development costs have been expensed.

(f) Inventories

Inventories are stated at lower of cost and net realisable value. Cost is primarily determined on the weighted average basis and includes all costs in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(g) Work in progress

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

(h) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cashflow statement, cash and cash equivalents comprises cash on hand and bank overdrafts.

(j) Deferred revenue

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

2 Principal accounting policies *(continued)*

(k) 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.

(l) Retirement benefit costs

The Group participates in number of a defined contribution retirement schemes for its employees in Australia, Hong Kong and Singapore. The assets of the schemes are held separately from those of the Group. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represent contributions payable by the Group to the funds and are expensed as incurred.

(m) Borrowing costs

Borrowing costs that 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 sales are capitalised as part of the cost of that assets.

All other borrowings costs are charged to the profit and loss account in the year in which they are incurred.

(n) Comparatives

The comparative disclosures in relation to operating leases have been revised to take into account the requirements of the revised SSAP 14 which the Group implemented in the current year. The adoption of the standard has not impacted upon the reported operating loss.

The comparative disclosure for basic loss per share have been restated to take into account the consolidation and subdivision of shares as detailed in notes 18(a) and (f) to the accounts.

3 Turnover and revenues

The Group is engaged in the designing and sale of computer software and the provision of professional and maintenance services for such products. Revenues recognised during the year/period are as follows:

	For the year ended 30th November 2001	For the period from 2nd March 2000 (date of incorporation) to 30th November 2000
	HK$'000	*HK$'000*
Turnover		
Sales of computer hardware	**6,049**	1,096
Sales of computer software licences and provision of related services	**18,526**	20,036
Provision of maintenance services	**5,202**	4,081
	29,777	25,213
Other revenues		
Bank interest income	**525**	1,108
Other income	**—**	17
	525	1,125
Total revenues	**30,302**	26,338

The Group's turnover and contribution to loss for the year/period, analysed by geographical market, are as follows:

	For the year ended 30th November 2001		For the period from 2nd March 2000 (date of incorporation) to 30th November 2000	
	Turnover	**Contribution to loss**	Turnover	Contribution to loss
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Hong Kong	**21,475**	**(78,872)**	25,113	(20,638)
Australia and New Zealand	**6,692**	**(9,465)**	—	—
Southeast Asia	**1,610**	**(6,965)**	100	—
	29,777	**(95,302)**	25,213	(20,638)

4 Operating loss

Operating loss is stated after charging the following:

	For the year ended 30th November 2001 HK$'000	For the period from 2nd March 2000 (date of incorporation) to 30th November 2000 HK$'000
Auditors' remuneration	**735**	500
Bad debts written off	**539**	235
Provision for doubtful debts	**1,757**	616
Depreciation:		
Owned fixed assets	**3,228**	1,390
Leased fixed assets	**523**	99
Loss on disposal of fixed assets	**—**	466
Amortisation of intangible assets:		
Goodwill	**12,180**	9,135
Intellectual property rights	**4,329**	—
Impairment of intangible assets:		
Goodwill *(note 12)*	**25,000**	—
Intellectual property rights *(note 12)*	**3,900**	—
Operating leases in respects of land and buildings	**5,158**	1,868
Staff costs (excluding directors' remuneration)	**39,650**	20,484
Cost of computer hardware	**5,556**	683
Retirement benefits costs *(note 10)*	**2,083**	—

5 Finance costs

	For the year ended 30th November 2001 HK$'000	For the period from 2nd March 2000 (date of incorporation) to 30th November 2000 HK$'000
Interest on bank overdraft	**13**	20
Interest on promissory notes	**146**	55
Interest element of finance leases	**14**	4
	173	79

6 Taxation

No provision for Hong Kong and overseas profits tax has been made as the Group had no estimated assessable profit for the year. The taxation credit represents the overprovision of Hong Kong profits tax in the previous period.

The potential deferred tax asset of HK$21,508,000 (2000: HK$3,566,000) relating to tax losses available for carry forward and other timing differences as at 30th November 2001 has not been recognised as the crystallisation of the asset in the foreseeable future is uncertain.

7 Loss attributable to shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$94,986,000 (Period from 2nd March 2000 to 30th November 2000: profit 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 year of HK$95,302,000 (Period from 2nd March 2000 to 30th November 2000: HK$20,638,000). The basic loss per share is based on the weighted average of 1,545,585,064 and 1,157,054,964 ordinary shares in issue during the year ended 30th November 2001 and the period ended 30th November 2000, respectively, on the assumption that the consolidation and subdivision of shares as detailed in notes 18(a) and 18(f) to the accounts had been completed on 2nd March 2000.

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

9 Directors' and senior management's emoluments

(a) Director's remuneration

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

	For the year ended 30th November 2001	For the period from 2nd March 2000 (date of incorporation) to 30th November 2000
	HK$'000	*HK$'000*
Independent non-executive directors fees	**40**	—
Executive directors:		
- Basic salaries and allowances	**2,217**	1,817
- Contribution to provident fund	**79**	—
	2,336	1,817

Two executive directors received emoluments of approximately HK$535,000 (Period from 2nd March 2000 to 30th November 2000: HK$601,000) and HK$1,761,000 (Period from 2nd March 2000 to 30th November 2000: HK$1,216,000) respectively.

No directors of the Company waived any emoluments during the year ended 30th November 2001 and the period from 2nd March 2000 to 30th November 2000.

During the year ended 30th November 2001 and the period from 2nd March 2000 to 30th November 2000, 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.

During the year, 10,560,000 options were granted to the executive directors under the share option scheme approved by the shareholders of the Company on 22nd January 2001. Details of share options granted during the year were set out in note 19 to the accounts.

9 Directors' and senior management's emoluments *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (Period from 2nd March 2000 to 30th November 2000: one) director whose emolument is reflected in the analysis presented above. The emoluments payable to the remaining four (Period from 2nd March 2000 to 30th November 2000: four) individuals (the "Employees") during the year/period are as follows:

	For the year ended 30th November 2001	For the period from 2nd March 2000 (date of incorporation) to 30th November 2000
	HK$'000	*HK$'000*
Basic salaries and allowances	**4,102**	3,310
Contribution to provident fund	**218**	—
Compensation for loss of office	**1,135**	—
	5,455	3,310

During the year ended 30th November 2001 and the period from 2nd March 2000 to 30th November 2000, no emoluments were paid by the Group to any of the Employees as an inducement to join or upon joining the Group.

The number of the Employees whose emoluments fall within the following bands are as follows:

	For the year ended 30th November 2001	For the period from 2nd March 2000 (date of incorporation) to 30th November 2000
	Number of the Employees	
Emolument bands		
HK$Nil - HK$1,000,000	**1**	4
HK$1,000,001 - HK$1,500,000	**1**	—
HK$1,500,001 - HK$2,000,000	**2**	—

10 Retirement benefit costs

Contributions totalling HK$542,000 (2000: Nil) were payable to the funds at year end and are included in other payables.

11 Fixed assets - Group

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1st December 2000	3,582	658	4,743	—	8,983
Acquisition of subsidiaries	467	460	2,144	32	3,103
Additions	689	217	1,225	—	2,131
At 30th November 2001	4,738	1,335	8,112	32	14,217
Accumulated depreciation					
At 1st December 2000	841	146	557	—	1,544
Acquisition of subsidiaries	122	156	845	9	1,132
Charge for the year	1,196	267	2,280	8	3,751
At 30th November 2001	2,159	569	3,682	17	6,427
Net book value					
At 30th November 2001	2,579	766	4,430	15	7,790
At 30th November 2000	2,741	512	4,186	—	7,439
Net book value of leased assets					
At 30th November 2001	—	—	424	—	424
At 30th November 2000	—	—	798	—	798

12 Intangible assets - Group

	Goodwill	Intellectual property rights	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st December 2000	51,765	—	51,765
Purchased from ultimate holding company	—	15,585	15,585
Impairment charges *(note 4)*	(25,000)	(3,900)	(28,900)
Amortisation charge	(12,180)	(4,329)	(16,509)
At 30th November 2001	14,585	7,356	21,941
At 1st December 2001			
Cost	60,900	15,585	76,485
Impairment charges *(note 4)*	(25,000)	(3,900)	(28,900)
Accumulated amortisation	(21,315)	(4,329)	(25,644)
Net book amount	14,585	7,356	21,941
At 1st December 2000			
Cost	60,900	—	60,900
Accumulated amortisation	(9,135)	—	(9,135)
Net book amount	51,765	—	51,765

(a) In light of the economic downturn and keen competition in the securities software industry, the Group has reviewed the carrying value of the goodwill arising from the acquisition of abc Multiactive (Hong Kong) Limited and an impairment charge of HK$25,000,000 has been made in the year ended 30th November 2001.

(b) In light of the rapid change of technology, the Group has reviewed the carrying value of the intellectual property rights and an impairment charge of HK$3,900,000 has been made in the year ended 30th November 2001.

13 Investments in subsidiaries

	Company 2001 HK$'000	Company 2000 HK$'000
Investments in unlisted shares		
Cost	**62,126**	61,250
Less: provision for impairment losses	**(54,346)**	—
	7,780	61,250
Amounts due from subsidiaries *(note a)*	**96,248**	24,277
Less: provision	**(37,643)**	—
	58,605	24,277
	66,385	85,527

(a) The amounts due from subsidiaries are unsecured, interest free and will not be repayable until the subsidiaries are in a position to repay.

(b) The following is a list of the subsidiaries at 30th November 2001:

Company	**Place of incorporation operation**	**Particulars of issued share capital**	**Interest held**	**Principal activities**
abc Multiactive (Hong Kong) Limited	Hong Kong	300,000 ordinary shares of HK$1.00 each	100%	Design and sales of computer products and provision of maintenance services
Multiactive Software Pty. Limited	Australia	100,000 ordinary shares of AUD$1.00 each	99.99%	Sale of computer products and provision of maintenance services
abc Multiactive (Singapore) Pte. Limited (formerly known as Multiactive Software (Singapore) Pte. Limited)	Singapore	2 ordinary shares of S$1.00 each	100%	Sale of computer products and provision of maintenance services

14 Inventories

Inventories represent merchandise. At 30th November 2001, the carrying amount of inventories that are carried at net realisable value amounted to HK$258,000 (2000: Nil).

15 Trade and other receivables

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables *(note a)*	**4,046**	3,082	**—**	—
Prepayments and deposits	**4,199**	7,366	**22**	4,435
	8,245	10,448	**22**	4,435

(a) At 30th November 2001, the aging analysis of the trade receivables were as follows:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current	**1,989**	1,577	**—**	—
30 - 60 days	**772**	632	**—**	—
61 - 90 days	**193**	118	**—**	—
Over 90 days	**1,092**	755	**—**	—
	4,046	3,082	**—**	—

16 Promissory note payable to a shareholder

As at 30th November 2001, the promissory note is interest bearing at prime rate and is repayable on 22nd May 2003. The shareholder has confirmed that it will not demand for repayment within twelve months from the balance sheet date. The promissory note payable to a shareholder as at 30th November 2000 was interest bearing at prime rate plus 1% and was repaid in February 2001.

17 Amount due to the ultimate holding company

The amount due to the ultimate holding company represents mainly the purchases of software merchandise, and third party royalties and expenses paid on behalf of the Group which is unsecured and interest free. The ultimate holding company has confirmed that it will not demand for repayment within twelve months from the balance sheet date.

18 Share capital

Authorised:

	Note	Ordinary shares No. of shares	*HK$'000*
On incorporation, ordinary shares of HK$0.01 each		10,000,000	100
Increase in authorised share capital		99,990,000,000	999,900
Subdivision of ordinary shares into HK$0.005 each		100,000,000,000	—
At 30th November 2000, ordinary shares of HK$0.005 each		200,000,000,000	1,000,000
At 1st December 2000, ordinary shares of HK$0.005 each		200,000,000,000	1,000,000
Consolidation of ordinary shares into HK$0.04 each	(a)	(175,000,000,000)	—
Subdivision of ordinary shares into HK$0.01 each	(f)	75,000,000,000	—
At 30th November 2001, ordinary shares of HK$0.01 each		100,000,000,000	1,000,000

Issued and fully paid:

	Note	Ordinary shares No. of shares	*HK$'000*
Issue of shares of HK$0.01 each		1,246,395,000	12,464
Subdivision of ordinary shares into HK$0.005 each		1,246,395,000	—
Repurchase of shares of HK$0.005 each		(50,000,000)	(250)
Issue of shares of HK$0.005 each		10,000,000	50
At 30th November 2000, ordinary shares of HK$0.005 each		2,452,790,000	12,264
At 1st December 2000, ordinary shares of HK$0.005 each		2,452,790,000	12,264
Consolidation of shares into HK$0.04 each	(a)	(2,146,191,250)	—
Issue of shares of HK$0.04 each	(b) to (e)	94,878,667	3,795
Subdivision of ordinary shares into HK$0.01 each	(f)	1,204,432,251	—
At 30th November 2001, ordinary shares of HK$0.01 each		1,605,909,668	16,059

18 Share capital *(continued)*

(a) 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 each 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 each and the issued share capital of the Company was HK$12,263,950 consisting of 306,598,750 shares of HK$0.04 each.

(b) Pursuant to a resolution in writing of the directors of the Company passed on 22nd January 2001, 38,836,000 shares of HK$0.04 each were allotted and issued on the same day 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 CAN$3,650,000 owed by abc Australia to MSI in connection with outstanding royalty payments and other charges. On the same day MSI transferred the same 38,836,000 shares of HK$0.04 each at cost to Multiactive International Limited which was satisfied by the issue of 1,000 shares in Multiactive International Limited credited as fully paid. Accordingly, approximately HK$17,865,000 was credited to the share premium account (note 20).

(c) On 30th November 2000, 10,000,000 shares of HK$0.005 each were allotted and issued to Acura Holdings Limited at a consideration of HK$3,500,000 satisfied in cash pursuant to a subscription agreement dated 27th September 2000. The subscription agreement was subsequently amended on 2nd January 2001 whereby Acura Holdings Limited agreed to subscribe for 2,916,667 shares of HK$0.04 each at a price of HK$1.20 per share totalling HK$3,500,000 satisfied in cash. The remaining 1,666,667 shares of HK$0.04 each were allotted and issued to Acura Holdings Limited on 29th January 2001. The net proceeds have been used for general working capital and acquisition of intellectual property rights from MSI.

(d) On 29th January 2001, 12,500,000 shares of HK$0.04 each at a price of HK$1.20 per share were allotted and issued to Fitco Limited. Accordingly, approximately HK$14,500,000 was credited to the share premium account (note 20). The net proceeds of approximately HK$15,000,000 have been used to acquire certain intellectual property rights from MSI.

(e) On 31st January 2001, the Company issued 41,876,000 shares of HK$0.04 each by way of placing 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 GEM. Accordingly, approximately HK$48,576,000 was credited to the share premium account (note 20). The shares of the Company were listed on GEM on 31st January 2001. The net proceeds of approximately HK$36,000,000 have been used to finance the expansion and for general working capital of the Group.

(f) Pursuant to the approval of the shareholders of the Company at the special general meeting held on 14th June 2001, every one issued and unissued share of HK$0.04 each in the share capital of the Company was subdivided into four shares of HK$0.01 each respectively.

19 Share options

On 22nd January 2001, the shareholders of the Company approved a share option scheme (the "Scheme") under which its board of directors may, at its discretion, invite full-time employees of the Company or any of its subsidiaries, including directors, who spend not less than twenty-five hours per week in providing services to the Group, to take up options to subscribe for ordinary shares in the Company. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company from time to time. No employee can be granted an option under the Scheme which, if exercised in full, would result in such an employee becoming entitled to subscribe for such number of shares that would exceed 25% of the aggregate number of share for the time being issued and issuable under the Scheme. The subscription price will be determined by the Company's board of directors and will be the highest of (i) the nominal value of the shares, (ii) the quoted closing price of the Company's shares on the trade day immediately preceding the date of offer the options, and (iii) the average of the quoted closing prices of the Company's shares on the five trading days immediately preceding the date of offer of the options. The Scheme adopted on 22nd January 2002 (the "Adoption Date") and is effective for a period of ten years commencing on the Adoption Date. Any options granted under the Scheme expire ten years from the date of grant and are exercisable over four years with one quarter exercisable on each anniversary date from the date of grant. A consideration of HK$1.00 was payable on acceptance of each grant of options.

No further options can be granted under the Scheme until the new requirements of Chapter 23 of the GEM Listing Rules are complied with.

Details of the share options granted by the Company pursuant to the Scheme and the options outstanding as at 30th November 2001 were as follows:

	Date of grant	Exercisable price	Exercise period	Options granted during the year	Options lapsed during the year	Options held at 30th November 2001
Executive directors	17th April 2001	HK$0.3625	17th April 2002 - 16th April 2011	9,600,000[1]	—	9,600,000
	28th May 2001	HK$0.4675	28th May 2002 - 27th May 2011	960,000[2]	—	960,000
Continuous contract employees	17th April 2001	HK$0.3625	17th April 2002 - 16th April 2011	56,732,948[1]	23,147,520[4]	33,585,428
	28th May 2001	HK$0.4675	28th May 2002 - 27th May 2011	5,045,660[2]	1,552,416[4]	3,493,244

Notes:

1. At the trading date before the options were granted, 12th April 2001, the market value per share was HK$0.3625.
2. At the trading date before the options were granted, 25th May 2001, the market value per share was HK$0.4575.
3. The exercise prices are after the adjustment for the effect of share subdivision as detailed in note 18(f) to the accounts.
4. These share options lapsed during the year upon the cessation of employment of certain employees.

19 Share options *(continued)*

The exercise in full of the above options outstanding as at 30th November 2001 would, under the present capital structure of the Company, result in the issue of 47,638,672 additional shares of HK$0.01 each.

20 Reserves

Group

	Share premium	Contributed surplus	Exchange difference	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 2nd March 2000	—	—	—	—	—
Issue of shares	59,186	—	—	—	59,186
Repurchase of shares	(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	41,936	37,600	—	(20,638)	58,898
Issue of shares *(note 18)*	80,874	—	—	—	80,874
Share issue expenses	(16,692)	—	—	—	(16,692)
Elimination of goodwill arising from group reorganisation *(note b)*	—	—	—	(25,278)	(25,278)
Exchange difference	—	—	1,201	—	1,201
Loss for the year	—	—	—	(95,302)	(95,302)
At 30th November 2001	106,118	37,600	1,201	(141,218)	3,701

Company

	Share premium	Contributed surplus	Retained earnings/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 2nd March 2000	—	—	—	—
Issue of shares	59,186	—	—	59,186
Repurchase of shares	(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	41,936	37,600	976	80,512
Issue of shares *(note 18)*	80,874	—	—	80,874
Share issue expenses	(16,692)	—	—	(16,692)
Loss for the year	—	—	(94,986)	(94,986)
At 30th November 2001	106,118	37,600	(94,010)	49,708

20 Reserves *(continued)*

(a) The contributed surplus arises from a share for share exchange in acquiring a subsidiary. 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.

(b) The goodwill arising from group reorganisation arose from the acquisition of abc Singapore and abc Australia as detailed in note 1 to the accounts.

21 Obligations under finance leases - Group

At 30th November 2001, the obligations under finance leases were repayable as follows:

	2001	2000
	HK$'000	*HK$'000*
		(restated)
Within one year	**420**	432
In the second year	**—**	356
	420	788
Future finance charges on finance leases	**(11)**	(14)
Present value of finance lease liabilities	**409**	774

The present value of finance lease liabilities is as follows:

— Within one year	**409**	424
— In the second year	**—**	350
	409	774

22 Notes to the consolidated cash flow statement

(a) Reconciliation of loss before taxation to net cash outflow from operating activities:

	For the year ended 30th November 2001	For the period from 2nd March 2000 (date of incorporation) to 30th November 2000
	HK$'000	*HK$'000*
Loss before taxation	**(95,716)**	(20,638)
Depreciation	**3,751**	1,489
Amortisation of intangible assets	**16,509**	9,135
Impairment of intangible assets	**28,900**	—
Loss on disposal of fixed assets	**—**	466
Trade receivable offset against consideration payable for repurchase of shares	**—**	(10,300)
Decrease/(increase) in work in progress	**95**	(419)
Increase in inventory	**(68)**	—
Decrease/(increase) in trade and other receivables	**7,592**	(9,754)
(Decrease)/increase in amount due to the ultimate holding company	**(6,273)**	5,354
Increase in other payables, accrued changes and deposits received	**6,396**	5,538
Increase in deferred revenue	**366**	294
Interest income	**(525)**	(1,108)
Interest expenses	**173**	79
Net cash outflow from operating activities	**(38,800)**	(19,864)

22 Notes to the consolidated cash flow statement *(continued)*

(b) Analysis of changes in financing during the year/period:

	Share capital (including premium and contributed surplus)		Promissory notes payable to shareholder		Obligation under finance leases	
	For the year ended 30th November 2001	For the period from 2nd March 2000 (date of incorporation) to 30th November 2000	**For the year ended 30th November 2001**	For the period from 2nd March 2000 (date of incorporation) to 30th November 2000	**For the year ended 30th November 2001**	For the period from 2nd March 2000 (date of incorporation) to 30th November 2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At the beginning of the year/period	**91,800**	–	**7,200**	–	**774**	–
Issue of shares	**65,251**	59,550	**–**	–	**–**	–
Amount due from a shareholder	**–**	3,500	**–**	–	**–**	–
Amount due to a shareholder	**–**	–	**10,000**	7,200	**–**	–
Shares issued expenses	**(16,692)**	–	**–**	–	**–**	–
Repayment of promissory note to a shareholder	**–**	–	**(7,200)**	–	**–**	–
Shares issued for non-cash consideration *(note c (i) and (ii))*	**19,418**	46,250	**–**	–	**–**	–
Shares repurchased for non-cash consideration *(note c (iii))*	**–**	(17,500)	**–**	–	**–**	–
Inception of finance lease *(note c (iv))*	**–**	–	**–**	–	**145**	897
Repayment of capital element of finance leases	**–**	–	**–**	–	**(510)**	(123)
At 30th November 2001	**159,777**	91,800	**10,000**	7,200	**409**	774

(c) Major non-cash transactions

(i) During the year, 38,836,000 shares of the Company of HK$0.04 each were issued to MSI for settlement of the promissory note due from abc Australia to MSI (note 18 (b)).

(ii) Part of the consideration for the acquisition of a subsidiary during the period from 2nd March 2000 to 30th November 2000 was satisfied by the issue of 740,000,000 and 125,000,000 ordinary shares of the Company of HK$0.01 each at a consideration HK$45,000,000 and HK$1,250,000 respectively.

(iii) The consideration for the repurchase of the Company's share on 21st November 2000 from Success Wealth Ltd. was satisfied in part by the issue of a promissory note to Success Wealth Ltd. in the amount of HK$7,200,000; 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.

(iv) During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of HK$145,000 (Period from 2nd March 2000 to 30th November 2000: HK$897,000).

22 Notes to the consolidated cash flow statement *(continued)*

(d) Acquisition of subsidiaries

	For the year ended 30th November 2001 *HK$'000*	For the period from 2nd March 2000 (date of incorporation) to 30th November 2000 *HK$'000*
Net (liabilities)/assets acquired		
Fixed assets	**1,971**	885
Trade and other receivables	**5,389**	694
Inventories	**190**	—
Taxation recoverable	**—**	438
Bank balances and cash	**480**	749
Trade and other payables	**(30,245)**	(677)
Deferred revenues	**(66)**	(1,739)
Amount due to the ultimate holding company	**(2,121)**	—
	(24,402)	350
Goodwill	**25,278**	60,900
Net cash outflow from operating activities	**876**	61,250
Satisfied by		
Allotment of shares	**—**	46,250
Cash	**876**	15,000
	876	61,250

The subsidiaries acquired during the year contributed HK$628,000 (Period ended 30th November 2000: HK$15,864,000) to the Group's net operating cash outflow, paid HK$4,000 (Period ended 30th November 2000: received HK$1,029,000) in respect of the net returns on investments and servicing of finance, paid HK$Nil (Period ended 30th November 2000: HK$146,000) in respect of taxation, utilised HK$1,240,000 (Period ended 30th November 2000: HK$7,612,000) for investing activities and paid HK$46,000 (Period ended 30th November 2000: HK$123,000) for financing.

22 Notes to the consolidated cash flow statement *(continued)*

(d) Acquisition of subsidiaries *(continued)*

Analysis of the net outflow in respect of the acquisition of subsidiaries:

	For the year ended 30th November 2001 *HK$'000*	For the period from 2nd March 2000 (date of incorporation) to 30th November 2000 *HK$'000*
Cash consideration	**(876)**	(15,000)
Bank balances and cash in hand acquired	**480**	749
Net cash outflow in respect of acquisition of subsidiaries	**(396)**	(14,251)

23 Commitments under operating leases

At 30th November 2001, the Group had future aggregate minimum lease payment under non-cancellable operating leases in respect of land and buildings as follows:

	2001 *HK$'000*	2000 *HK$'000* *(restated)*
Within one year	**4,511**	3,244
In the second to fifth year inclusive	**2,759**	5,767
	7,270	9,011

24 Related parties transactions

Apart from the promissory note payable to a shareholder and amount due to the ultimate holding company as disclosed in notes 16 and 17 to the accounts respectively, the Group had the following significant related party transactions during the year/period, which were carried out in the normal course of the Group's business:

	For the year ended 30th November 2001	For the period from 2nd March 2000 (date of incorporation) to 30th November 2000
	HK$'000	*HK$'000*
Royalty fee payable to the ultimate holding company *(note a)*	—	3,765
Sales of software license and provision of related professional services *(note b)*	—	10,300
Acquisition of intellectual property rights of certain software from the ultimate holding company *(note c)*	**15,585**	—
Development cost paid to the ultimate holding company *(note d)*	**808**	—
Software merchandises purchased from the ultimate holding company *(note e)*	**393**	—

(a) This represents royalty fee payable to the MSI 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.

(c) Pursuant to a software assignment agreement entered into between MSI and the Group on 22nd January 2001, MSI transferred certain intellectual property rights (including copyright, trademarks and proprietary technology) for the Asia Pacific region in relation to Entice!, Maximizer, Maximizer Enterprise, ecBuilder and their respective product lines to the Group for a consideration of approximately HK$15,585,000.

(d) Pursuant to a joint development agreement entered into between MSI and the Group on 22nd January 2001, the Group exercised its option to participate in the further development of Entice! 3.0 and paid development cost of HK$808,000 to MSI on 26th May 2001.

(e) The Group purchased software merchandise in the normal course of business from MSI for re-sale at terms mutually agreed between the two parties.

24 Related parties transactions *(continued)*

Mr. Terence Chi Yan Hui, the Chairman and an executive director of the Company, is interested in the transactions with MSI to the extent that he is the chairman of MSI and that approximately 70% of the issued shares of MSI is beneficially owned indirectly by the members of his family through a trust arrangement (via The City Place Trust), partnership interest (via Multiactive Technologies Partnership) and personal holdings.

Mr. Kau Mo Hui, a non-executive director of the Company, is interested in the transaction in relation to the promissory note as detailed in note 16 to the accounts to the extent that Pacific East Limited is wholly owned by The City Place Trust. The City Place Trust is a discretionary trust and its beneficiaries are Mr. Chi Yung Hui and Ms. Chu Yuen Lam who are, respectively, the son and spouse of Mr. Kau Mo Hui.

25 Banking facilities

The Group's banking facilities are secured by fixed deposits of the Group amounting to approximately HK$1,197,000 (2000: HK$500,000).

26 Contingent liabilities

At 30th November 2001, 13 (2000: 18) employees had completed the required number of years of service under the Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment with the Group. The Group is only liable to make such payments where termination meets the required circumstances specified in the Ordinance. At 30th November 2001, the estimated liabilities not provided for in the accounts for such purpose amounted to HK$1,710,000 (2000: HK$2,441,000).

27 Ultimate holding company

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

28 Approval of accounts

The accounts were approved by the board of directors on 22nd February 2002.

BASIS OF PRESENTATION

(a) The Reorganisation as detailed in note 1 to the accounts was completed on 22nd January 2001. The directors of the Company consider that it is appropriate to provide additional financial information to the shareholders of the Company by presenting the pro forma combined profit and loss account for the years ended 30th November 2001 and 2000 to facilitate comparison of the results of the Group prepared on a basis consistent with that presented in the accountant's report in appendix 1 to the Prospectus. 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 years ended 30th November 2001 and 2000, except for abc Multiactive (Hong Kong) Limited ("abc HK"), which was acquired by the Company with effect from 1st March 2000 for cash and other considerations. The results of abc HK were 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.

(b) Details of the companies comprising the group are set out in note 13 to the accounts.

(c) Internal transaction 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 are unaudited and do not form part of the audited accounts of the Group as set out on pages 34 to 66 of this annual report.

The basis of presentation detailed above applied to the supplementary unaudited financial information set out on pages 68 to 71.

Pro Forma Unaudited Combined Profit and Loss Account

For the year ended 30th November 2001

	2001	2000
	HK$'000	*HK$'000*
Turnover	**30,307**	33,739
Cost of sales	**(21,112)**	(7,054)
Gross profit	**9,195**	26,685
Other revenues	**531**	1,351
Software research and development expenses	**(7,645)**	(5,889)
Royalty expenses	**(485)**	(6,871)
Selling and marketing expenses	**(15,779)**	(13,215)
Administrative expenses	**(36,754)**	(26,947)
Amortisation of intangible assets	**(16,509)**	(9,135)
Impairment of intangible assets	**(28,900)**	—
Operating loss	**(96,346)**	(34,021)
Finance costs	**(173)**	(237)
Loss before taxation	**(96,519)**	(34,258)
Taxation credit	**414**	—
Loss for the year	**(96,105)**	(34,258)

Pro Forma Unaudited Combined Balance Sheet

As at 30th November 2001

	2001	2000
	HK$'000	*HK$'000*
Fixed assets	**7,790**	9,210
Intangible assets	**21,941**	51,765
Current assets		
Inventories	**258**	175
Work in progress	**324**	419
Amount due from a shareholder	**—**	3,500
Trade and other receivables	**8,245**	13,656
Taxation recoverable	**—**	584
Pledged bank deposits	**1,197**	500
Bank balances and cash	**9,636**	12,762
	19,660	31,596
Current liabilities		
Promissory note payable to 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	**15,338**	8,767
Deferred revenue	**2,465**	2,106
Obligations under finance leases - current portion	**409**	424
Bank overdraft, secured	**217**	—
	18,429	44,251
Net current assets/(liabilities)	**1,231**	(12,655)
	30,962	48,320
Financed by:		
Shareholders' fund	**19,760**	47,970
Promissory note payable to a shareholder	**10,000**	—
Amount due to the ultimate holding company	**1,202**	—
Obligations under finance leases - non-current portion	**—**	350
	30,962	48,320

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 four financial years presented on a combined basis as if the current group structure had been in existence throughout each of the four years ended 30th November 1998, 1999, 2000 and 2001, except for abc HK, which was acquired by the Company with effect from 1st March 2000 for cash and other considerations and its results are consolidated by the Company with effect from 1st March 2000.

	Year ended 30th November			
	1998	1999	2000	**2001**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	8,388	15,210	33,739	**30,307**
Loss for the year	(5,058)	(2,314)	(34,258)	**(96,105)**

	As at 30th November			
	1998	1999	2000	**2001**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	3,912	9,266	92,571	**49,391**
Total liabilities	(13,473)	(21,218)	(44,601)	**(29,631)**
Net (liabilities)/assets	(9,561)	(11,952)	47,970	**19,760**

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 years ended 30th November 2001 and 2000 by principal activities and geographical locations is set out below:

	Unaudited turnover		Unaudited contribution to loss	
	Year ended 30th November		Year ended 30th November	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
By principle activity:				
Sales of computer hardware	**6,049**	1,092	**493**	127
Sales of computer software licences and provision of related services	**19,048**	28,119	**16,021**	2,853
Provision of maintenance services	**5,210**	4,528	**(7,319)**	(2,270)
	30,307	33,739	**9,195**	710
Other expenses			**(105,300)**	(34,968)
Loss for the year			**(96,105)**	(34,258)
By geographical location:				
Hong Kong	**21,475**	25,113	**(78,872)**	(20,638)
Australia and New Zealand	**7,222**	6,067	**(10,268)**	(12,038)
Southeast Asia	**1,610**	2,559	**(6,965)**	(1,582)
	30,307	33,739	**(96,105)**	(34,258)