abc Multiactive Limited

(辰罡科技有限公司)*

(incorporated in Bermuda with limited liability)

2002 INTERIM REPORT

* *For identification purpose only*

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. Listed companies 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.

INTERIM RESULTS

The board of directors (the "Board") of abc Multiactive Limited (the "Company") presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31st May 2002 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		(Unaudited) Three months ended 31st May		(Unaudited) Six months ended 31st May	
		2002	**2001**	**2002**	**2001**
	Note	*HK$'000*	*HK$'000 (restated)*	*HK$'000*	*HK$'000 (restated)*
Turnover	2	7,587	9,791	14,638	18,479
Cost of sales		(2,450)	(6,387)	(6,506)	(9,590)
Gross profit		5,137	3,404	8,132	8,889
Other revenues	2	13	291	62	526
Software research and development expenses		(1,354)	(3,060)	(2,767)	(5,452)
Royalty expenses		(25)	—	(66)	(9)
Selling and marketing expenses		(1,522)	(4,113)	(3,367)	(8,070)
Administrative expenses		(2,268)	(13,659)	(8,799)	(23,634)
Amortisation of intangible assets		(1,970)	(4,344)	(3,941)	(7,822)
Impairment of goodwill		—	—	—	(25,278)
Operating loss	4	(1,989)	(21,481)	(10,746)	(60,850)
Finance costs		(152)	(2)	(290)	(141)
Loss for the period		(2,141)	(21,483)	(11,036)	(60,991)
		HK cents	*HK cents (restated)*	*HK cents*	*HK cents (restated)*
Basic loss per share	7	(0.13)	(1.45)	(0.69)	(4.11)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	(Unaudited) 31st May 2002 HK$'000	(Audited) 30th November 2001 HK$'000
Fixed assets		5,139	7,790
Intangible assets		18,000	21,941
Current assets			
Inventories		234	258
Work in progress		207	324
Trade and other receivables	8	7,152	8,245
Pledged bank deposits		1,262	1,197
Bank balances and cash		2,360	9,636
		11,215	19,660
Current liabilities			
Promissory note payable to a shareholder		10,000	—
Other payables and accrued charges		11,417	11,054
Deposits received		3,666	4,284
Deferred revenue		1,901	2,465
Obligations under finance leases	10	154	409
Bank overdraft, secured		351	217
		27,489	18,429
Net current (liabilities)/assets		(16,274)	1,231
		6,865	30,962
Financed by:			
Share capital		16,059	16,059
Reserves	9	(10,358)	3,701
Shareholders' funds		5,701	19,760
Promissory note payable to a shareholder		—	10,000
Amount due to the ultimate holding company		1,164	1,202
		6,865	30,962

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) Six months ended 31st May 2002 *HK$'000*
Net cash outflow from operating activities	(6,849)
Net cash outflow from returns on investment and servicing of finance	(228)
Net cash outflow from investing activities	(78)
Net cash outflow before financing	(7,155)
Net cash outflow from financing	(255)
Decrease in cash and cash equivalents	(7,410)
Cash and cash equivalents at the beginning of period	9,419
Cash and cash equivalents at the end of period	2,009
Analysis of balances of cash and cash equivalents:	
Bank balances and cash	2,360
Bank overdrafts	(351)
	2,009

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited) Share capital HK$'000	(Unaudited) Share premium HK$'000	(Unaudited) Contributed surplus HK$'000	(Unaudited) Exchange difference HK$'000	(Unaudited) Accumulated losses HK$'000	(Unaudited) Total HK$'000
At 1st December 2000	12,264	41,936	37,600	—	(20,638)	71,162
Issue of shares	3,795	80,874	—	—	—	84,669
Share issue expenses	—	(17,450)	—	—	—	(17,450)
Exchange difference	—	—	—	1,514	—	1,514
Loss for the period *(note 1 (c))*	—	—	—	—	(60,991)	(60,991)
At 31st May 2001	16,059	105,360	37,600	1,514	(81,629)	78,904
At 1st December 2001	16,059	106,118	37,600	1,201	(141,218)	19,760
Exchange difference	—	—	—	(3,023)	—	(3,023)
Loss for the period	—	—	—	—	(11,036)	(11,036)
At 31st May 2002	16,059	106,118	37,600	(1,822)	(152,254)	5,701

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 **Group reorganisation, basis of preparation and principle accounting policies**

(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., 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.

(c) The unaudited condensed consolidated interim financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"). In this first year of implementation of SSAP 25, as permitted by the GEM Listing Rules, no comparative figures for the corresponding period of the preceding year have been presented for the condensed consolidated cash flow statement.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the Company's annual financial statements for the year ended 30th November 2001, except for the following new/revised SSAPs which have been adopted for the first time in the preparation of the current period's unaudited condensed consolidated interim financial statements:

— SSAP 9 (revised): Events after the balance sheet date
— SSAP 26: Segment reporting
— SSAP 28: Provisions, contingent liabilities and contingent assets
— SSAP 29: Intangible assets
— SSAP 31: Impairment of assets
— SSAP 32: Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group's accounting policies and the effects of adopting these new policies are set out below:

(i) With the introduction of SSAP 30, the Group has adopted the transitional provisions prescribed therein. Goodwill incurred on or after 1st December 2001 is capitalised in the balance sheet and is amortised to the profit and loss account on a straight-line basis over its estimated economic useful life. The Group has taken advantage of the transitional provision 1 (a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However, any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of assets".

(ii) Under SSAP 31 and Interpretation No.13 "Goodwill - continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves", the carrying amount of goodwill (including goodwill that has previously been written off against reserves and not restated in accordance with the transitional provisions in SSAP 30) has to be reviewed periodically for any indication of impairment, and any impairment loss has to be recognised as an expense in the consolidated profit and loss accounts.

The comparative figures for the three months and six months ended 31st May 2001 have been restated to conform to the changed policy. Accordingly, goodwill of approximately HK$25,278,000 which was impaired in the year ended 30th November 2001 and previously written off against reserves, has been recognised by way of a prior year adjustment resulting in an increase in the Group's net loss for the six months ended 31st May 2001 of approximately HK$25,278,000.

(d) The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the continued financial support from Multiactive Software Inc. ("MSI"), the ultimate holding company. MSI has agreed to provide financial support to the Group to meet its liabilities as they fall due and to continue its operations in the foreseeable future. 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 30th November 2001 and has agreed to extend the maturity date of the promissory note to 22nd May 2003.

2 **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 period are as follows:

	(Unaudited) Three months ended 31st May		(Unaudited) Six months ended 31st May	
	2002	**2001**	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
Sales of computer hardware	30	2,883	2,154	3,926
Sales of computer software licences and provision of related services	6,059	5,593	9,616	11,895
Provision of maintenance services	1,498	1,315	2,868	2,658
	7,587	9,791	14,638	18,479
Other revenues				
Bank interest income	13	156	62	376
Other income	—	135	—	150
	13	291	62	526
Total revenues	7,600	10,082	14,700	19,005

3 **Segment information**

An analysis of the Group's revenue and results for the period by business segments is as follows:

	(Unaudited) e-Finance Six months ended 31st May		(Unaudited) e-Business Six months ended 31st May		(Unaudited) Consolidated Six months ended 31st May	
	2002	**2001**	**2002**	**2001**	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	10,005	12,586	4,633	5,893	14,638	18,479
Segment profit/(loss)	411	1,690	(3,182)	(18,497)	(2,771)	(16,807)
Other revenue					62	526
Unallocated corporate expenses					(5,793)	(13,201)
Amortisation of goodwill					(2,244)	(6,090)
Impairment of goodwill					—	(25,278)
Operating loss					(10,746)	(60,850)
Finance costs					(290)	(141)
Loss for the period					(11,036)	(60,991)

There are no sales between the business segments.

4 **Operating loss**

Operating loss is stated after charging the following:

	(Unaudited) Three months ended 31st May		(Unaudited) Six months ended 31st May	
	2002	**2001**	**2002**	**2001**
	HK$'000	*HK$'000 (restated)*	*HK$'000*	*HK$'000 (restated)*
Bad debts written off	—	—	—	3
Provision for doubtful debts	138	1,282	493	1,276
Depreciation:				
Owned fixed assets	779	788	1,628	1,432
Leased fixed assets	130	95	261	225
Loss on disposal of fixed assets	311	—	776	—
Amortisation of intangible assets:				
Goodwill	1,122	3,045	2,244	6,090
Intellectual property rights	848	1,299	1,697	1,732
Impairment of goodwill	—	—	—	25,278
Operating leases in respect of land and buildings	981	1,328	2,233	2,386
Staff costs (including directors' remuneration)	5,762	12,382	12,171	23,420
Cost of computer hardware	20	2,628	2,043	3,570
Retirement benefits costs	241	618	513	1,148
(Gain)/loss on exchange difference	(3,036)	(2,893)	1,376	2,664

5 **Taxation**

No provision for Hong Kong and overseas profits tax has been made as the Group had no estimated assessable profit for the six months ended 31st May 2002 (2001: Nil).

The potential deferred tax asset of tax losses available for carry forward and other timing differences as at 31st May 2002 has not been recognised as the crystallisation of the asset in the foreseeable future is uncertain.

6 **Dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 31st May 2002 (2001: Nil).

7 **Basic loss per share**

The calculation of basic loss per share for the three months and six months ended 31st May 2002 is based on the net loss of approximately HK$2,141,000 and HK$11,036,000 (Three months and six months ended 31st May 2001: HK$21,483,000 and HK$60,991,000), respectively, and the weighted average of 1,605,909,668 (Three months and six months ended 31st May 2001: 1,483,584,780) ordinary shares in issue during the periods.

The basic loss per share for the three months and six months ended 31st May 2001 has been restated for the effects from the adoption of SSAP 30 and SSAP 31 and the subdivision of the Company's shares on 15th June 2001.

Diluted loss per share has not been presented as there was no dilutive potential ordinary share in existence during the periods.

8 **Trade and other receivables**

	(Unaudited) 31st May 2002 HK$'000	(Audited) 30th November 2001 HK$'000
Trade receivables *(note a)*	4,084	4,046
Prepayments and deposits	3,068	4,199
	7,152	8,245

(a) The aging analysis of the trade receivables were as follows:

	(Unaudited) 31st May 2002 HK$'000	(Audited) 30th November 2001 HK$'000
Current	2,730	1,989
30 - 60 days	401	772
61 - 90 days	29	193
Over 90 days	924	1,092
	4,084	4,046

9 **Reserves**

	(Unaudited) Share premium HK$'000	(Unaudited) Contributed surplus HK$'000	(Unaudited) Exchange difference HK$'000	(Unaudited) Accumulated losses HK$'000	(Unaudited) Total HK$'000
At 1st December 2001	106,118	37,600	1,201	(141,218)	3,701
Exchange difference	—	—	(3,023)	—	(3,023)
Loss for the period	—	—	—	(11,036)	(11,036)
At 31st May 2002	106,118	37,600	(1,822)	(152,254)	(10,358)

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.

10 **Obligations under finance leases**

At 31st May 2002, the obligations under finance leases were repayable as follows:

	(Unaudited) 31st May 2002	**(Audited) 30th November 2001**
	HK$'000	*HK$'000*
Within one year	158	420
Future finance charges on finance leases	(4)	(11)
Present value of finance lease liabilities	154	409

The present value of finance lease liabilities is as follows:

Within one year	154	409
	154	409

11 **Related parties transactions**

The Group had the following significant related party transactions during the period, which were carried out in the normal course of the Group's business:

	(Unaudited) Six months ended 31st May 2002	**2001**
	HK$'000	*HK$'000*
Royalty fees payable to the ultimate holding company *(note a)*	66	9
Development cost paid to the ultimate holding company *(note b)*	—	808
Software merchandises purchased from the ultimate holding company *(note c)*	26	242
Interest on promissory note payable to a shareholder *(note d)*	256	—

(a) This represents royalty fees payable to MSI for third party royalties paid by MSI on behalf of the Group in the normal course of business.

(b) 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.

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

(d) Pursuant to a HK$10,000,000 promissory note issued to Pacific East Limited, a shareholder of the Company, on 22nd November 2001, the interest payable to Pacific East Limited is calculated at the Hong Kong prime rate per annum.

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 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. Yuen Lam Chu who are, respectively, the son and spouse of Mr. Kau Mo Hui.

12 Contingent liabilities

At 31st May 2002, 14 (at 30th November 2001: 13) 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 31st May 2002, the estimated liabilities not provided for in the accounts for such purpose amounted to HK$1,545,030 (at 30th November 2001: HK$1,710,000).

13 Litigation

In June 2000, abc Multiactive (Hong Kong) Limited ("abc Hong Kong") engaged an international public relations company (the "PR Firm") to provide public relations services. Shortly afterwards, abc Hong Kong terminated the PR Firm's services in July 2000 due to unsatisfactory performance. Upon termination, the PR Firm issued an invoice to abc Hong Kong in the amount of HK$112,000. In view of the unsatisfactory performance, abc Hong Kong considered the charges unreasonable and has been in dispute with the PR Firm since July 2000 regarding the appropriate time and material costs to be charged. On 14th May 2002, the PR Firm filed a HK$112,000 claim against the Company with the District Court of the Hong Kong Special Administrative Region ("HK SAR"). abc Hong Kong has responded to the PR Firm through its corporate counsel and the results of the claim are pending the court date to be set by the District Court of the HK SAR. For prudence sake, full provision of HK$112,000 has been made in the accounts of the Group.

14 Post balance sheet events

During the second quarter of 2002, the Group had decided to close its Singapore operations and shift to a high volume, low cost distribution model as it was anticipated that this operations would not be able to generate positive cash flow to the Group in the foreseeable future. On 7th May 2002, the Company filed a petition to wind up abc Singapore. On 21st June 2002, the High Court of the Republic of Singapore ordered that abc Singapore be wound up and the Official Receiver of Singapore was appointed on the same day to act as a liquidator on behalf of the Company.

For the purpose of debt restructuring, abc Australia placed itself under voluntary administration and appointed an administrator on 28th June 2002. The debt restructuring process is expected to be completed by the end of July 2002.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL 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 1st December 2001 to 31st May 2002 Actual progress	Actual progress
Infrastructure	
Recruit additional personnel (including managerial, sales and marketing and research and product development) for the head office and regional offices as appropriate. Anticipated increases are as follows: Approx.% Sales and marketing 14 Research and Development 7 Others 15	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.
Open additional branch offices if and when appropriate.	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 closed its Singapore and Shanghai offices in the second quarter of 2002 and has opted to shift to a high volume, low cost distribution model. Subsequent to the quarter end, the Group entered into an agreement with a distributor for the exclusive distribution rights for the Group's e-Business products in Singapore and Malaysia.
Continue to examine the viability of expanding abc Multiactive's operation to other parts of the Asia Pacific region.	The Group is in discussions with various distributors for the possibility of distributing the Group's e-Business products in the Philippines and parts of the Greater China region.

Review, redesign and fine-tune the abc Multiactive's website to promote its products and services as appropriate.	The Group is currently reviewing and planning the redesign of its corporate website.
Enter into outsourcing partnership arrangements in Korea and Philippines if appropriate. Begin negotiations with outsourcing partners in 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.	In light of the current depressed market conditions for e-commerce software in the Asia Pacific region, the Group has decided to concentrate its resources on the English and Chinese speaking markets and temporarily suspend its objective to localise its software products for other countries in the region until better market conditions.

Marketing, sales and business development

Expand the sales and business development team by approximately 10 members (both direct sales and indirect sales such as VARs and distributors) as appropriate.	In light of the current economic downturn, the Group has temporarily froze the headcount of its business development team and shift to a high volume, low cost distribution model. The Group increased the number of distributors in the Asia Pacific region by approximately 6 members during the period.
Continue marketing effort to create brand awareness of abc Multiactive's products in the Asia Pacific region.	The Group actively participated in e-Business and customer relationship management ("CRM") trade shows throughout the period in Hong Kong, Australia and Singapore. During the period, the Group also entered into a strategic marketing agreement with a leading Internet portal company to provide a direct marketing service to deliver qualified prospects for the Group's e-Business products through the Internet company's targeted email marketing and telemarketing services for both Singapore and Malaysia.
Appoint additional distributors in the PRC, Singapore, Malaysia, Hong Kong, Taiwan, India, the Philippines, Korea and Australia as appropriate. Continue to seek out distributors for the e-Business and e-Finance products in the region.	During the period, the Group was in discussions with various prospects for the distribution of its software products in the Asia Pacific region. The Group increased the number of distributors in the Asia Pacific region by approximately 6 members during the period.

Continue to market e-training products 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.	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.
Continue to seek out partnerships with hardware manufacturers for bundling abc Multiactive's products such as ecBuilder.	The Group has been working with a leading Internet portal company to introduce downloadable trial versions of Maximizer.
Commence marketing of the ASP application.	The Group had originally planned to release its ASP application by the end of 2001. 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.

Products development

Complete localisation of ecBuilder for Malaysia	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.
Commence localisation of ecBuilder for Thailand	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 Thailand market until better market conditions.
Commence localisation of Entice! for India and the Philippines 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 Entice! for the Indian and Philippines markets until better market conditions.
Complete development and integration of Octo and Entice! modules	The Group has decided to temporarily suspend its objective to integrate its Octo and Entice! modules as the Octo trading system already has basic CRM functionalities which are sufficient for Octo users.

Continue to enhance the Pan Asia Internet trading application in Octofront with product market manager	The Group has been in initial discussions with a US based company to integrate its Octo SPIDER application with a network of brokerage firms and custodian houses to facilitate real-time local trading of global securities.
Continue development of version 3 of Octofront and Octoback multiplatform version as appropriate.	Following the release of Octo STP for the front office and back office, the Group has decided to cease any further development on Octofront and Octoback as the Octo STP system encompasses all the features of Octofront and Octoback and includes additional functions tailored for banks. The development work for version 2 of Octo STP Front are underway and is expected to be released in the fourth quarter of 2002. In addition, the Group will commence development for the institutional version of Octo STP in the third quarter of 2002 and it is expected that this version will be released in the second quarter of 2003. The institutional version will be designed to target first tier institutional brokerage firms. Finally, the Group has decided to suspend its objective to develop a multi-platform version of its e-Finance products due to the popularity of the Window's platform and the high investment cost of hardware by its customers in order to operate other platforms.
Continue to refine and develop additional contents for 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 additional contents of its e-training packages for banks.

Commence development of version 2 of the ASP application.	The Group had originally planned to release its ASP application by the end of 2001. 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 products in 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 other countries in the region as appropriate. Commence discussion with possible joint venture partners if suitable candidates located.	The Group is sourcing joint venture partners for its e-Finance products in the PRC through its network in Hong Kong. The Group had held initial discussions for joint venture opportunities with various software and hardware firms.
Continue to evaluate suitable technologies that can complement the Group's small to medium enterprise products. Commence negotiations for acquiring suitable technologies.	The Group has continually sourced for suitable acquisitions but so far has not been able to locate any complementary technologies.

USE OF PROCEEDS

The Company obtained net proceeds, after deducting related expenses, of approximately HK$40,000,000 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) to 31st May 2002, the Group has applied the net proceeds as follows:

	Note	**Budgeted amount to be used up to 31st May 2002 as extracted from the Prospectus** *HK$million*	**Actual amount used up to 31st May 2002** *HK$million*
Expenditure in relation to technology investments, research and development of new products, and localisation of existing products for the Asia Pacific region.	1	10.00	13.90
Regional promotion, advertising, and marketing activities	2	5.00	5.97
Expansion of sales infrastructure and the capacity of the implementation and consulting services group including setup of offices for distribution and sales in different countries in the region.	3	10.00	9.45
Strategic acquisitions and investments	4	10.00	—
Working capital purposes	5	5.00	10.68
Total		40.00	40.00

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 ended 30th November 2001, 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 extension for its Octo STP software 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. With regards to the aforesaid HK$5,000,000 of the net proceeds allocated for regional promotion, advertising, and marketing activities; the amount had been applied for such intended purpose during the period.

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 period.

4. The Group had originally planned to acquire technologies that could complement its existing suite of products. However, the Group has not been able to locate any suitable technology. 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 and 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 approximately HK$3,200,000 resulted from the refining of internal operating structure during the year ended 30th November 2001 and (ii) additional amount of approximately HK$2,500,000 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded a turnover of approximately HK$7,587,000 for the three months ended 31st May 2002, a 23% decrease from approximately HK$9,791,000 for the same period of the previous year. The decrease was mainly attributed to the decrease in sales of computer hardware during the current period. Of the total turnover amount, HK$3,567,000 or 47% was generated from software license sales, HK$2,492,000 or 33% was generated from professional service income, HK$30,000 or 0.4% was generated from the sale of computer hardware goods, and HK$1,498,000 or 19.6% was generated from maintenance services.

The operating loss before amortisation of intangible assets and impairment of goodwill for the three months ended 31st May 2002 was HK$19,000 representing a 99% improvement over the corresponding loss of HK$17,137,000 in 2001. During the period under review, the Group was able to reap the benefits of its restructuring efforts last year as it came close to achieving its breakeven target.

The Group continued to exercise prudent measures on cost control policies and decreased its operating expenditures to HK$9,905,000 for the three months ended 31st May 2002, a 56% decrease from HK$22,335,000 for the same period of the previous year. The decrease was mainly attributed to the closure of the Group's Singapore and Shanghai operations during the second quarter. With the elimination of the fixed overhead costs of these operations, the directors had anticipated that the closure of these operations would help improve the overall performance of the Group as the Group had shifted from a direct sales model to a high volume, low cost distribution model.

Amortisation expenses amounted to HK$1,970,000 for the three months ended 31st May 2002, a 55% decrease for the same period of the previous year. The decrease was principally attributed to the impairment of goodwill and write-off of intellectual property rights at the end of fiscal 2001 resulting in a decrease in the value of intangible assets to be amortised.

For the three months ended 31st May 2002, a provision of approximately HK$138,000 was made for long outstanding trade receivables. The directors were 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 31st May 2002, the Group had 67 employees. Total staff costs amounted to approximately HK$5,762,000 for the three months ended 31st May 2002, a 53% decrease from approximately HK$12,382,000 for the same period of the previous year. 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.

At 31st May 2002, the Group did not have any plan for material investments or capital assets. The Group had originally planned to acquire technologies that could complement its existing suite of products. However, as the Group has not been able to locate any suitable technology, it has focused on developing such technology by itself.

The Group generally finances its operations with internally generated financial resources, bank overdraft facilities and a shareholder's loan from Pacific East Limited. At 31st May 2002, the Group had outstanding borrowings of approximately HK$1,164,000 representing current accounts with the ultimate holding company which were unsecured and non-interest bearing; approximately HK$351,000 representing an overdraft facility which was secured by a HK$762,000 deposits, interest bearing at 3.5% above the Australian prime rate and repayable upon demand by the lender; and HK$10,000,000 representing a short term 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 period under review, the Group had not created any mortgage or charge.

The Group expresses its gearing ratio as a percentage of bank borrowings and long term debts over total assets. At 31st May 2002, the Group's gearing ratio was 0.04.

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

At 31st May 2002, 14 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 31st May 2002, the estimated contingent liabilities not provided for in the accounts for such purpose amounted to HK$1,545,030.

Subsequent to 31st May 2002, abc Australia placed itself under voluntary administration and appointed an administrator on 28th June 2002 for the purpose of debt restructuring. Working together with the management of abc Australia, the administrator will review the books and records of abc Australia and prepare a deed of company arrangement for creditors' approval. The deed of arrangement is a proposal which sets out the rate of reduction in debts and/or includes a payment schedule. The debt restructuring process is expected to be completed by the end of July 2002 and the directors do not expect any major impact to the business operations as abc Australia will continue with its day-to-day operations.

Operations Review

During the period under review, the Group successfully delivered its flagship securities trading system, Octo STP Front, to two local banks and a securities firm. As of the date of this report, there are 7 banks and 129 securities firms using the Group's e-Finance products in Hong Kong. With an aim of targeting banks and large size securities firms, the Group continued to invest into its research and development capabilities and to add institutional features into its Octo STP product line. An example of these efforts during the period has been the Group's advances to its global trading application, Octo SPIDER. Octo SPIDER offers a "broker to broker global trading solution" to local securities firms. It provides an accurate automated global trading platform to local securities firms and eliminates the traditional method of phone calls and manual processes in handling global trading. With increased marketing efforts targeted at multi-national firms, the Group commenced negotiations in the second quarter with a Singaporean bank to provide Octo STP for the bank's Hong Kong operations. As the negotiations are in the final stage, the Group expects to sign the contract in the third quarter of 2002. At 31st May 2002, the Group had approximately HK$6,600,000 worth of e-Finance contracts that were in progress. Completion of these contracts is scheduled to be in the third quarter of 2002.

After examining the past performances and the prospects in Singapore and the People's Republic of China (the "PRC"), the Group had decided to close its Singapore and Shanghai operations in the second quarter of 2002 and shift to a high volume, low cost distribution model as it was anticipated that these operations would not be able to generate positive cash flow to the Group in the foreseeable future. The directors anticipate that the closure of its Singapore and Shanghai operations will have no material effects on the business plan of the Group. The directors believe that this shift in its business model for Singapore and the PRC will enable the Group to operate in a more cost effective manner. To maintain its presence in the region, the Group has appointed a distributor for the exclusive distribution rights of its e-Business products in Singapore and Malaysia in June 2002. In addition, the Group is in discussion with various prospects for the distribution of its e-Business products in the Philippines and parts of the Greater China region.

During the period under review, the Group entered into a strategic marketing agreement with a leading Internet portal company to provide a direct marketing service to deliver qualified prospects for the Group's e-Business products through the Internet company's targeted email marketing and telemarketing services for both Singapore and Malaysia. The email blasting campaign was launched in 2 phases with the first phase commencing in May 2002. The second phase of the marketing program was a telemarketing campaign launched by the Internet company in June 2002 to qualify the respective prospects for the Group.

Future Prospects

The Group will continue to look for opportunities to cooperate with new technology partners that can complement its own products and business and further enhance its established customer base. The directors believe that the Group is well positioned for growth despite the weakness of near term economic conditions as the Group's integrated multi-product systems for e-Finance and e-Business will offer customers the tools to realise substantial savings in time and resources.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st May 2002, 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:

Interests in Share Capital

a) **The Company:**

	Number of ordinary shares of HK$0.01 each			
Name of director	**Personal Interests**	**Family interests**	**Corporate interests**	**Total**
Mr. Kau Mo Hui	—	86,667,096[1]	—	86,667,096

Note:

1. 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. Yuen Lam Chu. Mr. Chi Yung Hui and Ms. Yuen Lam Chu are, respectively, the son and spouse of Mr. Kau Mo Hui. The interests held by Mr. Chi Yung Hui and Ms. Yuen Lam Chu is deemed to be part of the interest of Mr. Kau Mo Hui.

b) **Associated Corporation:**

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. Joseph Chi Ho Hui	17,295	10,000(1)	—	27,295
Mr. Kau Mo Hui	70,000	40,949,625(2)	—	41,019,625

Notes:

1. 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.

2. 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. Yuen Lam Chu. Mr. Chi Yung Hui and Ms. Yuen Lam Chu are, respectively, the son and spouse of Mr. Kau Mo Hui. The interests held by Mr. Chi Yung Hui and Ms. Yuen Lam Chu is 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. Yuen Lam Chu. Mr. Terence Chi Yan Hui and Ms. Yuen Lam Chu are, respectively, the son and spouse of Mr. Kau Mo Hui. The interests held by Ms. Yuen Lam Chu are deemed to be part of the interest of Mr. Kau Mo Hui.

Save as disclosed above, none of the directors, chief executives, or their respective associates had, as at 31st May 2002, any interests in the equity securities of the Company or its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance or which, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Interests in Share Options

a) **The Company:**

Under a share option scheme approved by the shareholders of the Company on 22nd January 2001 (the "Scheme"), the board of directors may offer to grant options to any full time employee including any executive director of the Group who spends not less than 25 hours per week in providing services to the Group. At 31st May 2002, the number of options granted by the Company to the directors and chief executives in consideration of HK$1.00 are as follows:

	Options in the Company				
Name of director	Granted	Exercised	At 31st May 2002	Date of grant	Exercise prices
Mr. Terence	4,800,000	—	4,800,000	17th April 2001	HK$0.3625
Chi Yan Hui	480,000	—	480,000	28th May 2001	HK$0.4675

Apart from the above director, the Company granted options on 17th April 2001 to 119 employees to purchase 61,532,948 shares of the Company at the exercise price of HK$0.3625 per share. These options are exercisable in the period from 17th April 2002 to 16th April 2011. During the six months ended 31st May 2002, none of these options have been exercised. At 31st May 2002, 27,947,520 of these options lapsed in connection with the cessation of employment of certain employees.

The Company also granted options on 28th May 2001 to 103 employees to purchase 5,525,660 shares of the Company at the exercise price of HK$0.4675 per share. These options are exercisable in the period from 28th May 2002 to 27th May 2011. During the six months ended 31st May 2002, none of these options have been exercised. At 31st May 2002, 2,032,416 of these options lapsed in connection with the cessation of employment of certain employees.

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

b) **Associated Corporation:**

Name of directors	Granted	Exercised	Options in Multiactive Software Inc. At 31st May 2002	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.

Save as disclosed above, at no time during the six months ended 31st May 2002 was the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors or chief executives, their respective spouse, or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDER

At 31st May 2002, 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%

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

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 is interested in any business that competes with or is likely to compete with the business of the Group.

SPONSOR'S INTEREST

At 31st May 2002, 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.

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.

The audit committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 31st May 2002.

BOARD PRACTICES AND PROCEDURES

During the six months ended 31st May 2002, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31st May 2002, the Company has not redeemed any of its listed securities. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

By order of the Board
Terence Chi Yan Hui
Chairman

Hong Kong: 11th July 2002