Annual Report 2002

abc Multiactive Limited

(Incorporated in Bermuda with limited liability)

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.

Content

Executive Directors

Mr. Terence Chi Yan HUI
Mr. Joseph Chi Ho HUI
Mr. Anthony Wai Hung AU
(resigned on 1st February 2002)
Mr. Billy Kin Wah CHAN
(appointed on 11th April 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

11th Floor, Dina House
Ruttonjee Centre
11 Duddell Street
Central
Hong Kong

Website

http://www.abcmultiactive.com

Compliance Officer

Mr. Terence Chi Yan HUI

Qualified Accountant

Mr. Billy Kin Wah CHAN

Company Secretary

Mr. Billy Kin Wah CHAN

Authorised Representatives

Mr. Terence Chi Yan HUI
Mr. Anthony Wai Hung AU
(resigned on 1st February 2002)
Mr. Billy Kin Wah CHAN
(appointed on 1st February 2002)

Members of the Audit Committee

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

Bermuda Resident Representative

Mr. John Charles Ross COLLIS

Bermuda Deputy Resident Representative

Mr. Anthony Devon WHALEY

Stock Code

8131

Auditors

PricewaterhouseCoopers

Principal Bankers

Hang Seng Bank Limited
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
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

NOTICE IS HEREBY GIVEN that the Annual General Meeting of abc Multiactive Limited (the "Company") will be held at 11th Floor, Dina House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on 26th March 2003, Wednesday, 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 2002;

2. To re-elect retiring directors and authorise the board of directors to fix their 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") of 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 in this resolution is revoked or varied by an ordinary resolution in general meeting.

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

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, 25th February 2003

Head Office and Principal Place of Business:
11th Floor, Dina House
Ruttonjee Centre
11 Duddell Street
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 G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, 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 nos.4 to 6 as required by the Rules Governing the Listing of Securities on GEM will be dispatched to the members of the Company together with the annual report of the Company for the year ended 30th November 2002.

I would like to thank our team for their valuable contributions and support in the year 2002. Many changes to the Company were instituted by our team during the year to adjust for the tough economic environment. These changes have improved the Company's cost structure and positioned it to better compete for success in the years to come.

2002 was another difficult year for the securities market. In addition to the weak market conditions, the securities industry suffered further impact from government policy decisions. As a result, many technology purchase decisions in the securities industry were delayed due to uncertainty of the future. With some of these inevitable changes behind us now and under the new operating environment, I believe that the securities industry's need to use technology to further enhance operational efficiencies will ever be more intense.

Despite a challenging year, we achieved some major milestones during 2002. We have established strategic points of reference with the successful implementation of our flagship securities trading systems with several regional banks during the year. We again demonstrated our leadership position in the securities trading sector by winning in a highly competitive process a contract with one of the largest regional banking institutions in Singapore to develop an institutional trading system for Hong Kong securities. Finally, with the overwhelming feedback this year from our partners and customers of our customer relationship management ("CRM") products, we have successfully transition from a direct sales model to a high volume, low cost distribution model for this market.

On behalf of the board of directors, I would like to take this opportunity to thank all of our shareholders, partners and customers for their continued support.

Terence Chi Yan Hui
Chairman

25th February 2003

Financial Review

The Group recorded a turnover of approximately HK$25,668,000 for the year ended 30th November 2002, a 14% decrease from approximately HK$29,777,000 for the previous year. The decrease was mainly attributed to the decrease in sales of computer hardware during the current year. Of the total turnover amount, HK$10,425,000 or 41% was generated from software licence sales, HK$7,789,000 or 30% was generated from professional service income, HK$2,200,000 or 9% was generated from the sale of computer hardware goods, and HK$5,254,000 or 20% was generated from maintenance services. As at 30th November 2002, the Group had approximately HK$8,531,000 worth of contracts that were in progress. Completion of the majority of these contracts is scheduled to be in the second quarter of 2003. The operating loss before depreciation, amortisation and impairment for the year ended 30th November 2002 was HK$12,039,000, representing a 74% improvement over the corresponding figure of HK$46,383,000 in 2001. The loss attributable to shareholders for the year ended 30th November 2002 was HK$38,281,000, a 68% improvement over the previous year.

During the year, the Group continued to exercise prudent cost control measures by implementing staff cost and other expense reduction measures in its regional operations. Operating expenditures amounted to HK$27,968,000 for the year ended 30th November 2002, a 53% decrease from HK$59,505,000 for the previous year. The decrease was mainly attributed to the closure of the Group's Singapore and Shanghai operations during the second quarter.

During the year, the Group successfully negotiated the transfer of its operations in Sydney and Hong Kong to smaller office locations in order to further improve the Group's cost structure. The office transfer of the Hong Kong operations was completed at the end of August 2002 and the office transfer of the Sydney operations was completed in the middle of September 2002. As a direct result of the office transfers, the Group wrote off approximately HK$1,587,000 in fixed assets and incurred approximately HK$521,000 in removal expenses and penalty costs for the early termination of its existing lease agreements.

With the write-off of fixed assets from the closure of the Group's offices in Singapore and Shanghai and the transfer of the Group's operations in Sydney and Hong Kong, depreciation expenses decreased from approximately HK$3,751,000 for the year ended 30th November 2001 to approximately HK$3,239,000 in the current fiscal year.

During the year, the Group invested approximately HK$3,963,000 in developing new modules for its Octo Straight Through Processing ("STP") system and completing the upgrade development of its global trading application, Octo SPIDER.

Amortisation expenses amounted to HK$7,883,000 for the year ended 30th November 2002, a 52% decrease compared to the previous year. The decrease was principally attributed to the impairment of goodwill and intellectual property rights at the end of fiscal year 2001 resulting in a decrease in the value of intangible assets to be amortised.

For prudence, the Group has reviewed the carrying value of the goodwill arising from the acquisition of abc Multiactive (Hong Kong) Limited and, in light of the economic downturn and competition in the securities software industry, an impairment charge of HK$10,097,000 has been made in the year ended 30th November 2002. The Group has also reviewed the carrying value of the intellectual property rights acquired from Multiactive Software Inc. and, in light of the rapid changes in technology, an impairment charge of HK$3,961,000 has been made in the year ended 30th November 2002.

As at 30th November 2002, a provision of approximately HK$1,950,000 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.

To create a more efficient infrastructure, management reduced the Group's headcount to 57 employees as at 30th November 2002. Total staff costs (excluding directors' remuneration) amounted to approximately HK$22,192,000 for the year ended 30th November 2002, a 44% decrease from approximately HK$39,650,000 for 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. Movements in the headcount and total staff costs of the Group during the year are illustrated in the table below:

	Q1	**Q2**	**Q3**	**Q4**
Headcount	79	73	69	57
Staff costs (inclusive of severance costs) *(HK$'000)*	5,960	5,495	4,721	6,016
Severance costs *(in HK$'000)*	438	53	278	697

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

As at 30th November 2002, the Group had outstanding borrowings of approximately HK$2,225,000 representing a current account with the ultimate holding company which was unsecured and non-interest bearing and HK$9,500,000 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 2004.

Subsequent to the balance sheet date, Wickham Group Limited advanced approximately HK$5,134,000 to the Company in January and February 2003. Wickham Group Limited is wholly owned by Mr. Kau Mo Hui, who is a non-executive director of the Company. In consideration of the advance, the Company issued a promissory note to Wickham Group Limited on 21st February 2003. The promissory note is unsecured, bears interest at Hong Kong prime rate per annum and is repayable within one year from the date of receipt of funds by the Company. Wickham Group Limited has confirmed that it will not demand for repayment of the promissory note within twelve months from 21st February 2003.

During the year under review, Multiactive Software Pty. Limited ("abc Australia") placed itself under voluntary administration and appointed administrators on 28th June 2002 for the purpose of debt restructuring. Working together with the management of abc Australia, the administrators reviewed the books and records of abc Australia and prepared a deed of company arrangement setting out the rate of reduction in debts and a payment schedule for the approval of abc Australia's creditors. The creditors' meeting took place on 25th July 2002 and the creditors approved the execution of the deed of company arrangement for the reduction of abc Australia's debt to A$0.225 to the dollar and payment of this amount over twelve months from the date of execution of the deed of company arrangement. As a result, a charge of A$350,000 (HK$1,531,000) was created over the assets of abc Australia in respect of the deed of company arrangement in August 2002. Save as disclosed, the Group had not created any mortgage or charge during the year.

The Group expresses its gearing ratio as a percentage of bank borrowings and long term debts over total assets. As at 30th November 2002, the Group's gearing ratio was 1.55.

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.

As at 30th November 2002, 17 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. As at 30th November 2002, the estimated contingent liabilities not provided for in the accounts for such purpose amounted to HK$1,296,000.

The Group has not held any significant investment for the year ended 30th November 2002.

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 the Singapore 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 Multiactive (Singapore) Pte. Limited ("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. As at 21st June 2002, the total estimated realisable assets of abc Singapore amounted to S$3,000 (HK$13,000) and the total liabilities of abc Singapore amounted to S$1,667,000 (HK$7,360,000), of which S$1,473,000 (HK$6,503,000) represented intercompany loans from the Group. The Official Receiver is currently in the process of liaising with abc Singapore's debtors and realising deposits and stock.

As at 30th November 2002, the Group had no material capital commitments.

Save as disclosed, the Group made no material acquisitions or disposals during the year. As at 30th November 2002, the Group had no future plans for material investments or capital assets other than those stated in the section headed "Statement of Business Objectives" in the Company's prospectus dated 22nd January 2001 (the "Prospectus").

Operations Review

For the year ended 30th November 2002, e-Finance sales, excluding sales of hardware, decreased to HK$14,283,000, a 0.13% decrease compared to HK$14,302,000 for the previous year. During the year, the Group continued to enhance the features of its Octo STP system and focused on new sales and marketing schemes to increase sales. With the low turnover in the stock market this year coupled with the consolidation of the securities industry in Hong Kong, the Group has focused its resources in developing trading tools for first tier securities firms and devised a leasing scheme to enable smaller securities firms to enjoy a scaled down version of the Group's Octo STP system. In terms of scalability and extendibility, the Group's Octo STP product now has many different add-on modules to enable the Group to meet the changing needs of its extensive client base. To maintain its competitive edge, the Group has commenced development on the following new modules for its Octo STP product during the fourth quarter of 2002: unit trust module, program trading module, and finance customer relationship management ("CRM") module to provide dedicated news and investor services. During the year, the Group completed development and successfully implemented its Octo SPIDER product with a regional securities firm. In the fourth quarter of 2002, the Group solidified its year-long discussions with an Australian based company to facilitate local trading of global securities by signing an agreement to integrate the Group's Octo SPIDER application with a global network of securities firms and custodian houses.

For the year ended 30th November 2002, e-Business sales, excluding sales of hardware, decreased to HK$9,185,000, a 3% decrease compared to HK$9,426,000 for the previous year. During the year, the Group was able to successfully transition its e-Business operations from a direct selling model to a high volume, low cost distribution model and almost achieved operational profitability in its e-Business operations in Australia. The overall feedback from the Group's resellers and customers in the Asia Pacific region has been extremely positive during the year. In particular, the trend for the Group's Maximizer Enterprise sales have consistently been upwards each quarter and the directors believe that this trend will continue. In addition to effectively building its reseller network this year, the Group is also currently working together with its resellers to re-launch the Chinese version of Entice! and Maximizer in the China market in 2003.

Future Prospects

Operational efficiency and resilience will continue to be top priorities for the Group for 2003. In the coming year, the directors expect to be able to reap the benefits from its efforts in building its Asia Pacific reseller network during the 2002 fiscal year. With a more efficient infrastructure and a dedicated research and development focus on straight-through processing and information availability, the directors believe that the Group will be strongly positioned to grow when market conditions improve.

The following is a summary of the actual business progress of the Group compared with the business objectives set out in the Prospectus.

Business objectives for the period from 1st December 2001 to 31st May 2002	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 Asia 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. During the second quarter, the Group entered into an agreement with a reseller for the exclusive distribution rights for the Group's e-Business products in Singapore and Malaysia. The Group subsequently expanded its agreement with the Singapore reseller to include the non-exclusive distribution rights of the Group's e-Business products in Hong Kong and the Philippines. The Group is also in initial negotiations with the Singapore reseller to localise and distribute the e-Business products for the People's Republic of China (the "PRC") market.

Continue to examine the viability of expanding the Group's operation to other parts of the Asia Pacific region.	The Group expanded its agreement with the Singapore reseller to include the non-exclusive distribution rights of the Group's e-Business products in Hong Kong and the Philippines. The Group is also in discussions with various resellers for the possibility of distributing the Group's e-Business products in parts of the Greater China region.
Review, redesign and fine-tune the Group'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 the 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 the Group'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 market conditions improve.
Marketing, sales and business development	
Expand the sales and business development team by approximately 10 members (both direct sales and indirect sales such as value added resellers and distributors) as appropriate.	In light of the current economic downturn, the Group has temporarily frozen the headcount of its business development team and shifted to a high volume, low cost distribution model. As at 30th November 2002, the Group had 85 resellers carrying the Group's products in the Asia Pacific region.

Continue marketing efforts to create brand awareness of the Group's products in the Asia Pacific region.

The Group actively participated in e-Business and CRM trade shows throughout the period in Hong Kong, Australia and Singapore. During the second quarter, 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 its e-Business products through the Internet company's email marketing and telemarketing campaign for both Singapore and Malaysia. During the fourth quarter, the Singapore reseller entered into a marketing agreement with a leading manufacturer of business office machines to bundle the Group's Maximizer and Maximizer Enterprise products with the manufacturer's existing office products.

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. During the second quarter, the Group entered into an agreement with a reseller for the exclusive distribution rights for the Group's e-Business products in Singapore and Malaysia. The Group subsequently expanded its agreement with the Singapore reseller to include the non-exclusive distribution rights of the Group's e-Business products in Hong Kong and the Philippines. The Group is also in initial negotiations with the Singapore reseller to localise and distribute the e-Business products for the PRC market.

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 the Group's products such as ecBuilder.	During the second quarter, the Group had been working with a leading Internet company to introduce downloadable trial versions of Maximizer. During the fourth quarter, the Singapore reseller entered into a marketing agreement with a leading manufacturer of business office machines to bundle the Group's Maximizer and Maximizer Enterprise products with the manufacturer's existing office products.
Commence marketing of the application service provider ("ASP") application.	The Group had 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 market conditions improve.
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 market conditions improve.
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 market conditions improve.
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 the Philippines markets until market conditions improve. The Group is in initial discussions with an Indian reseller to localise and market the Indian version of Maximizer and Maximizer Enterprise in India.

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	During the fourth quarter, the Group signed an agreement with an Australian based company to integrate its Octo SPIDER application with a global network of first tier securities firms and custodian houses to facilitate 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 and back offices, 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 was completed in the fourth quarter of 2002 and the plans are underway to expand the capability of the system to include program trading and other profit making features. The Group commenced the development of 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 securities firms. The Group had decided to suspend its objective to develop a multi-platform version of its e-Finance products due to the popularity of the Windows platform and the high investment cost of hardware required 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 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 market conditions improve.
Strategic investment and partnership	
Enter agreements with joint venture partners for e-Finance products in countries in the region as appropriate.	The Group had been in initial stages of negotiations for the appointment of business partners to sell its e-Finance products in Malaysia and Indonesia. However, negotiations have been temporarily suspended due to weak market conditions.
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.

Business objectives for the period from 1st June 2002 to 30th November 2002	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	19
Research and development	6
Others	7

Actual progress: 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.

Actual progress: 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 Asia 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. During the second quarter, the Group entered into an agreement with a reseller for the exclusive distribution rights for the Group's e-Business products in Singapore and Malaysia. The Group subsequently expanded its agreement with the Singapore reseller to include the non-exclusive distribution rights of the Group's e-Business products in Hong Kong and the Philippines. The Group is also in initial negotiations with the Singapore reseller to localise and distribute the e-Business products for the PRC market.

Continue to examine the viability of expanding the Group's operation to other parts of the Asia Pacific region.	The Group expanded its agreement with the Singapore reseller to include the non-exclusive distribution rights of the Group's e-Business products in Hong Kong and the Philippines. The Group is also in discussions with various resellers for the possibility of distributing the Group's e-Business products in parts of the Greater China region.
Continue to seek out suitable outsourcing partners in the region for the purpose of localisation of the Group's software products.	The Group has been working with a leading Internet company to introduce downloadable trial versions of Maximizer. During the fourth quarter, the Singapore reseller entered into a marketing agreement with a leading manufacturer of business office machines to bundle the Group's Maximizer and Maximizer Enterprise products with the manufacturer's existing office products.
Review, redesign, and fine-tune the Group's website to promote its products and services as appropriate.	The Group is currently reviewing and planning the redesign of its corporate website.
Marketing, sales and business development	
Continue to expand the sales and business development team as appropriate.	In light of the current economic downturn, the Group has temporarily frozen the headcount of its sales and support team in favour of strategic alliances with resellers and consultants.

Continue marketing efforts to create brand awareness of the Group's products in the Asia Pacific region.	The Group actively participated in e-Business and CRM trade shows throughout the period in Hong Kong and Australia. 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 its e-Business products through the Internet company's email marketing and telemarketing campaign for both Singapore and Malaysia. During the fourth quarter, the Singapore reseller entered into a marketing agreement with a leading manufacturer of business office machines to bundle the Group's Maximizer and Maximizer Enterprise products with the manufacturer's existing office products. During the fourth quarter, the Group signed an agreement with an Australian based company to integrate its Octo SPIDER application with a global network of securities firms and custodian houses to facilitate local trading of global securities.
Expand sales channel program for the Asia Pacific region for both the e-Finance and e-Business products.	As at 30th November 2002, the Group had 85 resellers of its products. During the second quarter, the Group entered into an agreement with a reseller for the exclusive distribution rights for the Group's e-Business products in Singapore and Malaysia. The Group subsequently expanded its agreement with the Singapore reseller to include the non-exclusive distribution rights of the Group's e-Business products in Hong Kong and the Philippines. The Group is also in initial negotiations with the Singapore reseller to localise and distribute the e-Business products for the PRC market.
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 additional contents of its e-training packages for banks.

Commence marketing of Octofront and Octoback version 3.

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 was completed in the fourth quarter of 2002 and the plans are underway to expand the capability of the system to include program trading, CRM and other profit making features.

The Group commenced the development of 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 securities firms.

Commence marketing of the ASP application.

The Group had 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 market conditions improve.

Products development

Introduce Entice! in Malaysia and other parts of the region as appropriate. Commence preparation for releasing Entice! in Thailand and other parts of the region 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 Malaysian market until market conditions improve.

Continue to enhance the Pan Asia Internet trading application in Octofront with product market manager.

During the fourth quarter, the Group signed an agreement with an Australian based company to integrate its Octo SPIDER application with a global network of securities firms and custodian houses to facilitate local trading of global securities.

Introduce ecBuilder Thai version into the market as appropriate. Commence preparation work on the release of the other Asian version of ecBuilder.	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 and Thailand market until market conditions improve.
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 additional contents of its e-training packages for banks.
Release version 3 of Octofront and Octoback multiplatform as appropriate.	The Group had decided to suspend its objective to develop a multi-platform version of its e-Finance products due to the popularity of the Windows platform and the high investment cost of hardware required to operate other platforms.
Commence development of version 2 of the ASP application.	The Group had 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 market conditions improve.

Strategic investment and partnership

Enter agreements with joint venture partners for e-Finance products in countries in the region as appropriate.	The Group had been in initial stages of negotiations for the appointment of business partners to sell its e-Finance products in Malaysia and Indonesia. However, negotiations have been temporarily suspended due to weak market conditions.
Continue to locate potential joint venture partners for e-Finance products in other countries in the region as appropriate. Commence discussion with potential joint venture partners if suitable candidates are 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.

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) to 30th November 2002, the Group has applied the net proceeds as follows:

	Budgeted amount to be used up to 30th November 2002 as extracted from the Prospectus	**Actual amount used up to 30th November 2002**	
	HK$million	*HK$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	5.97	2
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.	10.00	9.45	3
Strategic acquisitions and investments	10.00	—	4
Working capital purposes	5.00	10.68	5
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 period from 31st January 2001 to 30th November 2002, the Group accelerated and completed the development of the standard version of Octo STP and a PDA application that is compatible with Entice!. 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, program trading, 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 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 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 that resulted from the refining of the Group's internal operating structure during the period from 31st January 2001 to 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 caused customers to become more cautious in purchasing e-Finance and e-Business products.

The directors are pleased to submit their annual report together with the audited accounts for the year ended 30th November 2002.

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 12 to the accounts.

An analysis of the Group's performance for the year by principal activity and geographical segments is set out in note 2 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 36.

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 19 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 10 to the accounts.

Share capital

Details of the movements in share capital of the Company are set out in note 17 to the accounts.

Distributable reserves

As at 30th November 2002, the Company has no distributable reserves (2001: Nil) 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 2002 are set out in note 12 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.

Purchase, sale or redemption of listed securities

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

Share options

Details of the share option scheme and outstanding share options of the Company as at 30th November 2002 are set out in note 18 to the accounts.

Directors

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

Executive directors

Mr. Terence Chi Yan Hui
Mr. Joseph Chi Ho Hui
Mr. Anthony Wai Hung Au (resigned on 1st February 2002)
Mr. Billy Kin Wah Chan (appointed on 11th April 2002)

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-laws 86(2) and 87 of the Company's bye-laws, Messrs. Billy Kin Wah Chan and Joseph Chi Ho Hui retire by rotation and, being eligible, offer themselves for re-election.

The independent non-executive directors are not appointed for a specific term and 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

Save as disclosed in note 23 to the accounts, no contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding 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.

Biographical details of directors and senior management

Executive directors

Mr. Terence Chi Yan HUI, aged 39, is the Chairman of the Company and is responsible for the strategic direction of the Group. He received his Bachelor Degree in Physics from the University of California - Berkeley in USA and earned a Master Degree in Electrical Engineering from Santa Clara University in USA. Mr. Hui joined the Group in March 2000.

Mr. Hui is also the chairman of Vancouver-based, Maximizer Software Inc. ("MSI") (1), 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. Joseph Chi Ho HUI, aged 32, joined the Group in November 2000. He received his undergraduate degree in Electrical Engineering from the University of British Columbia in Canada and earned a Master Degree in Electrical Engineering from Stanford University - California in USA. Mr. Hui is the Development Manager of Maximizer 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.

Mr. Billy Kin Wah CHAN, aged 39, is an executive director and the company secretary of the Company. He is responsible for the financial control and management of the Group. He worked in the audit and accounting field for over 13 years and has over 9 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. Chan joined the Group in July 2001.

Note:

1. As at 30th November 2002, Multiactive Software Inc. ("Multiactive"), a company incorporated in Canada and listed on the Toronto Stock Exchange, was the Company's ultimate holding company. On 11th December 2002, Multiactive completed a plan of arrangement (the "Arrangement") with its shareholders and MSI, Multiactive's wholly owned subsidiary. Under the Arrangement, shareholders of Multiactive exchanged each of their common shares of Multiactive for common shares of MSI on a one-for-one basis. Holders of options to purchase common shares in Multiactive also exchanged their options for options in MSI on a one-for-one basis, on the same terms and conditions as the Multiactive options. On 15th December 2002, MSI acquired all of the assets and liabilities of Multiactive, other than the software and related business known as "ecBuilder", and became the new ultimate holding company of the Company. The shares of MSI commenced trading on the Toronto Stock Exchange in place of the shares of Multiactive on the opening for trading on 16th December 2002.

Non-executive director

Mr. Kau Mo HUI, aged 70, 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 53, is a solicitor and notary public practicing in Hong Kong with over 20 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 36, 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. Frank Hing Fat HUNG, aged 42, 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 44, is the Director of Operations of the Group. He is responsible for managing the Group's e-Finance quality assurance, customer support, research and development and professional services departments. He has over 21 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 31, 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 9 years experience in managing real estate, trading, investment and IT businesses.

Mr. Senan Shiu Lung YUEN, aged 31, is the Controller 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 23 to the accounts, constituted connected transactions under Chapter 20 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The connected transactions are as follows:

1) 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. A repayment of HK$500,000 has been made during the year. The promissory note is unsecured, bears interest at Hong Kong prime rate per annum and is repayable on 22nd May 2004. The shareholder has confirmed that it will not demand for repayment within twelve months from the balance sheet date. During the year, interest payable in relation to the promissory note amounted to approximately HK$508,000.

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. Mr. Chi Yung Hui and Ms. Yuen Lam Chu 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 no 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.

2) During the year, the Group purchased software merchandise in the amount of approximately HK$73,000 from Multiactive 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.

3) During the year the Group incurred royalty fee payable to Multiactive in the amount of approximately HK$969,000 for selling new customer relationship management software developed by Multiactive that is not covered by the software assignment agreement entered into between Multiactive and the Group on 22nd January 2001. The directors are of the opinion that the transaction was carried out in the normal course of business of the Group.

The above 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

As at 30th November 2002, the interests of the directors and chief executives and their respective associates in the shares and options 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 (Disclosures 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 of Hong Kong Limited 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 (resigned on 1st February 2002)	—	—	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. 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 are deemed to be part of the interest of Mr. Kau Mo Hui.

			Options in the Company			
Name of directors	**Date of grant**	**Exercise price**	**Exercise period**	**Granted**	**Lapsed**	**As at 30th November 2002**
Mr. Terence Chi Yan Hui	17th April 2001	HK$0.3625	17th April 2002 to 16th April 2011	4,800,000	—	4,800,000
	28th May 2001	HK$0.4675	28th May 2002 to 27th May 2011	480,000	—	480,000
Mr. Anthony Wai Hung Au (resigned on 1st February 2002)	17th April 2001	HK$0.3625	17th April 2002 to 16th April 2011	4,800,000	4,800,000	—
	28th May 2001	HK$0.4675	28th May 2002 to 27th May 2011	480,000	480,000	—

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 (4) Personal interests	Family interests	Corporate interests	Total
Mr. Terence Chi Yan Hui	2,237,153	—	—	2,237,153
Mr. Anthony Wai Hung Au (resigned on 1st February 2002)	—	—	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, representing approximately 59% of the issued share capital of Multiactive. 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 are deemed to be part of the interest of Mr. Kau Mo Hui.

   Multiactive Technologies Partnership holds 4,474,306 shares of Multiactive, representing approximately 7.2% of the issued share capital of Multiactive. 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.

4. Upon completion of the Arrangement by Multiactive on 11th December 2002, the directors' interests in common shares in Multiactive have been replaced by common shares in MSI in the same amounts.

			Options in Multiactive [1]			
Name of directors	Date of grant	Exercise price	Exercise period	Granted	Exercised	As at 30th November 2002
Mr. Terence Chi Yan Hui	6th May 1999	CAN$1.00	6th May 1999 to 5th May 2006	100,000	—	100,000
	23rd June 2000	CAN$2.75	23rd June 2000 to 22nd June 2007	250,000	—	250,000
Mr. Joseph Chi Ho Hui	6th May 1999	CAN$1.00	6th May 1999 to 5th May 2006	75,000	—	75,000

Note:

1. Upon completion of the Arrangement by Multiactive on 11th December 2002, the directors' interests in options in Multiactive have been replaced by options in MSI in the same amounts.

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 executives (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 shareholder

As at 30th November 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being interests 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 executives.

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	69%
— five largest suppliers combined	100%

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

Throughout the year, 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 fiscal year.

The Group's audited results for the year ended 30th November 2002 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

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. 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

As at 30th November 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.

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

25th February 2003

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 36 to 65 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 2002 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, 25th February 2003

Consolidated Profit and Loss Account

For the year ended 30th November 2002

	Note	2002 HK$'000	2001 HK$'000 (restated)
Turnover	2	**25,668**	29,777
Cost of sales		**(11,929)**	(20,633)
Gross profit		**13,739**	9,144
Other revenues	2	**82**	525
Software research and development expenses		**(3,963)**	(7,645)
Royalty expenses		**(1,131)**	(298)
Selling and marketing expenses		**(5,218)**	(14,660)
Administrative expenses		**(18,787)**	(37,200)
Amortisation of intangible assets		**(7,883)**	(16,509)
Impairment of intangible assets		**(14,058)**	(54,178)
Operating loss	3	**(37,219)**	(120,821)
Finance costs	4	**(634)**	(173)
Loss before taxation		**(37,853)**	(120,994)
Taxation (charge)/credit	5	**(428)**	414
Loss for the year		**(38,281)**	(120,580)
		HK cents	*HK cents* *(restated)*
Basic loss per share	7	**(2.38)**	(7.80)

Consolidated Balance Sheet

As at 30th November 2002

	Note	2002 HK$'000	2001 HK$'000
Fixed assets	10	**2,601**	7,790
Intangible assets	11	**—**	21,941
Current assets			
Inventories	13	**108**	258
Work in progress		**241**	324
Trade and other receivables	14	**3,152**	8,245
Pledged bank deposit	24	**218**	1,197
Bank balances and cash		**1,263**	9,636
		4,982	19,660
Current liabilities			
Other payables, accrued charges and deposits received		**15,047**	15,338
Deferred revenue		**2,276**	2,465
Obligations under finance leases — current portion	20	**—**	409
Bank overdraft, secured	24	**—**	217
		17,323	18,429
Net current (liabilities)/assets		**(12,341)**	1,231
Total assets less current liabilities		**(9,740)**	30,962
Represented by:			
Share capital	17	**16,059**	16,059
Reserves	19	**(37,524)**	3,701
(Deficit)/surplus in shareholders' equity		**(21,465)**	19,760
Promissory note payable to a shareholder	15	**9,500**	10,000
Amount due to the ultimate holding company	16	**2,225**	1,202
		(9,740)	30,962

Terence Chi Yan Hui
Director

Joseph Chi Ho Hui
Director

Balance Sheet

As at 30th November 2002

	Note	2002 HK$'000	2001 HK$'000
Investments in subsidiaries	12	**—**	66,385
Current assets			
Trade and other receivables	14	**11**	22
Pledged bank deposits	24	**218**	697
Bank balances and cash		**7**	9,030
		236	9,749
Current liabilities			
Other payables and accrued charges		**1,137**	367
Net current (liabilities)/assets		**(901)**	9,382
Total assets less current liabilities		**(901)**	75,767
Represented by:			
Share capital	17	**16,059**	16,059
Reserves	19	**(26,460)**	49,708
(Deficit)/surplus in shareholders' equity		**(10,401)**	65,767
Promissory note payable to a shareholder	15	**9,500**	10,000
		(901)	75,767

Terence Chi Yan Hui
Director

Joseph Chi Ho Hui
Director

Consolidated Cash Flow Statement

For the year ended 30th November 2002

	Note	**2002**	2001
		HK$'000	*HK$'000*
			(restated)
Operating activities			
Net cash outflow generated from operations	21(a)	**(7,462)**	(38,800)
Interest paid		**(634)**	(173)
Hong Kong profits tax refunded		**—**	998
Net cash outflow from operating activities		**(8,096)**	(37,975)
Investing activities			
Purchase of fixed assets		**(426)**	(1,986)
Purchase of intellectual property rights		**—**	(15,585)
Acquisition of subsidiaries	21(c)	**—**	(396)
Proceeds from disposals of fixed assets		**214**	—
Interest received		**82**	525
Repayment of amount due from a shareholder		**—**	3,500
Decrease/(increase) in pledged bank deposit		**979**	(697)
Net cash inflow/(outflow) from investing activities		**849**	(14,639)
Net cash outflow before financing		**(7,247)**	(52,614)
Financing	21(b)		
Issue of ordinary shares		**—**	65,251
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		**(500)**	(7,200)
Repayment of capital element of finance leases		**(409)**	(510)
Net cash (outflow)/inflow from financing		**(909)**	50,849
Decrease in cash and cash equivalents		**(8,156)**	(1,765)
Cash and cash equivalents at the beginning of the year		**9,419**	11,184
Cash and cash equivalents at the end of the year		**1,263**	9,419
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		**1,263**	9,636
Bank overdrafts		**—**	(217)
		1,263	9,419

Consolidated Statement of Changes in Equity

For the year ended 30th November 2002

	Note	**2002** *HK$'000*	2001 *HK$'000*
Total shareholders' equity as at 1st December		**19,760**	71,162
Exchange differences arising on translation of the financial statements of foreign subsidiaries	19	**(2,944)**	1,201
Loss for the year	19	**(38,281)**	(120,580)
Issue of ordinary shares	19	**—**	84,669
Share issue expenses	19	**—**	(16,692)
Total shareholders' (deficit)/equity as at 30th November		**(21,465)**	19,760

1 Principal accounting policies

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

(a) Basis of preparation

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 ("HKSA"). They are prepared under the historical cost convention.

During the year, the Group incurred a loss of approximately HK$38,281,000. At the balance sheet date, the Group's current liabilities exceeded its current assets by approximately HK$12,341,000 and the Group's shareholders' deficit amounted to approximately HK$21,465,000.

Notwithstanding the above results, the accounts have been prepared on a going concern basis, the validity of which is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when they fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements. Subsequent to 30th November 2002, 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$9,500,000 within twelve months from the balance sheet date and has agreed to extend the maturity date of the promissory note to 22nd May 2004. The ultimate holding company, Maximizer Software Inc., has also confirmed that it will not demand repayment of the amount due to it of approximately HK$2,225,000 within twelve months from the balance sheet date. Furthermore, a party connected to a non-executive director of the Company, Wickham Group Limited, has advanced approximately HK$5,134,000 to the Group by way of a promissory note due for repayment on 21st February 2004 and has agreed that it will not demand repayment of the promissory note until that date. The directors are confident that the Group's future operations will be successful and able to generate sufficient cash flows in order to meet its obligations as they fall due over the next twelve months. Accordingly, the directors are satisfied that it is appropriate to prepare the accounts on a going concern basis.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001:

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 30	: Business combinations
SSAP 31	: Impairment of assets
SSAP 32	: Consolidated financial statements and accounting for investments in subsidiaries

The Group has also early adopted SSAP 1 (revised) "Presentation of financial statements" and SSAP 15 (revised) "Cash flow statements" which will be effective for accounting periods commencing on or after 1st January 2002.

The changes to the Group's accounting policies and the effect of adopting these new policies is set out below.

1 Principal accounting policies *(continued)*

(b) 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.

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 is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

1 Principal accounting policies *(continued)*

(c) Revenue recognition

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.

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.

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

(d) 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. They are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates used for this purpose are 20% to 33.3%.

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

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

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.

1 Principal accounting policies *(continued)*

(e) 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.

(f) Intangible assets

(i) Goodwill

Goodwill represents the excess of 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. Goodwill arising from different acquisitions on consolidation and group reorganisation 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.

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.

1 Principal accounting policies *(continued)*

(f) Intangible assets *(continued)*

(i) Goodwill *(continued)*

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 account.

The comparative figure for the year ended 30th November 2001 has been restated to conform to the changed policy. Accordingly, goodwill amounting to 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 and the loss for the year ended 30th November 2001 of HK$95,302,000 has been increased by HK$25,278,000 and 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.

(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.

1 Principal accounting policies *(continued)*

(g) Inventories

Inventories are stated at the 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.

(h) Work in progress

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

(i) 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.

(j) 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, deposits held at call with banks and bank overdrafts.

(k) 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.

(l) 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.

(m) Retirement benefit costs

The Group participates in a number of 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 represents contributions payable by the Group to the funds and is expensed as incurred.

1 Principal accounting policies *(continued)*

(n) 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 asset.

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

(o) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that an outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(p) Segment reporting

Segment assets consist primarily of fixed assets, intangible assets, inventories, work in progress, receivables and operating cash. Capital expenditure comprises additions to intangible assets (note 11) and fixed assets (note 10), including additions resulting from acquisitions through purchases of subsidiaries (notes 10 and 21).

Sales are based on the country in which the customer is located. Total assets and capital expenditure are based on where the assets are located.

2 Turnover, revenues and segment information

The Group is principally 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 are as follows:

	2002	2001
	HK$'000	*HK$'000*
Turnover		
Sales of computer software licences and provision of related services	**18,214**	18,526
Provision of maintenance services	**5,254**	5,202
Sales of computer hardware	**2,200**	6,049
	25,668	29,777
Other revenues		
Bank interest income	**75**	525
Interest income from a debtor	**7**	—
	82	525
Total revenues	**25,750**	30,302

The Group's turnover, segment result, segment assets and capital expenditure for the year, analysed by geographical market, are as follows:

	2002			
	Turnover	**Segment result**	**Segment assets**	**Capital expenditure**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	17,329	(38,825)	4,946	398
Australia and New Zealand	7,659	(146)	2,451	28
Southeast Asia	680	690	186	—
	25,668	(38,281)	7,583	426

	2001			
	Turnover	**Segment result**	**Segment assets**	**Capital expenditure**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	21,475	(104,150)	44,609	16,476
Australia and New Zealand	6,692	(9,465)	3,925	4,293
Southeast Asia	1,610	(6,965)	857	50
	29,777	(120,580)	49,391	20,819

There are no sales between the geographical segments. With effect from 1st April 2002, the Group has closed its operations in Singapore (Southeast Asia).

3 Operating loss

Operating loss is stated after crediting and charging the following:

	2002	2001
	HK$'000	*HK$'000*
		(restated)
Crediting		
Recovery of bad debts previously written off	**149**	—
Charging		
Auditors' remuneration	**328**	735
Bad debts written off	**210**	539
Provision for doubtful debts	**144**	1,757
Depreciation:		
Owned fixed assets	**2,817**	3,228
Leased fixed assets	**422**	523
Loss on disposals of fixed assets	**2,320**	—
Amortisation of intangible assets:		
Goodwill (note 11)	**4,488**	12,180
Intellectual property rights (note 11)	**3,395**	4,329
Impairment of intangible assets:		
Goodwill (note 11)	**10,097**	50,278
Intellectual property rights (note 11)	**3,961**	3,900
Operating leases in respect of land and buildings	**3,119**	5,158
Staff costs (excluding directors' remuneration)	**22,192**	39,650
Cost of computer hardware	**2,029**	5,556
Retirement benefit costs	**906**	2,083

4 Finance costs

	2002	2001
	HK$'000	*HK$'000*
Interest on bank overdraft	**114**	13
Interest on promissory note	**508**	146
Interest element of finance leases	**12**	14
	634	173

5 Taxation

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit for the year (2001: Nil). The amount of taxation charge/(credit) to the consolidated profit and loss account represents:

	2002	2001
	HK$'000	*HK$'000*
Overseas taxation *(note a)*	**428**	—
Overprovision in prior year *(note b)*	**—**	(414)
	428	(414)

(a) Overseas taxation is calculated at rates prevailing in the People's Republic of China, and represents tax charge on the operating expenses of a representative office in Shanghai, which has been closed during the year.

(b) The taxation credit in 2001 represented the overprovision of Hong Kong profits tax in the previous period.

The potential deferred tax asset of HK$19,083,000 (2001: HK$21,508,000) relating to tax losses available for carry forward and other timing differences as at 30th November 2002 has not been recognised as the crystallisation of the asset in the foreseeable future is uncertain.

6 Loss attributable to shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$76,168,000 (2001: HK$94,986,000).

7 Basic loss per share

The calculation of basic loss per share is based on the Group's loss for the year of HK$38,281,000 (2001: HK$120,580,000) and the weighted average of 1,605,909,668 and 1,545,585,064 ordinary shares in issue during the years ended 30th November 2002 and 2001, respectively, on the assumption that the consolidation and subdivision of shares as detailed in notes 17(a) and 17(f) to the accounts had been completed on 1st December 2000.

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

8 Directors' and senior management's emoluments

(a) Directors' remuneration

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

	2002	2001
	HK$'000	*HK$'000*
Independent non-executive directors fees	**40**	40
Executive directors:		
— Basic salaries, allowances and benefits in kind	**1,199**	2,217
— Contribution to provident fund	**14**	79
	1,253	2,336

Three executive directors received individual emoluments of approximately HK$856,000 (2001: Nil), HK$120,000 (2001: HK$535,000) and HK$237,000 (2001: HK$1,761,000) respectively.

No directors of the Company waived any emoluments during the years ended 30th November 2002 and 2001.

During the years ended 30th November 2002 and 2001, 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, no 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 the share option scheme were set out in note 18 to the accounts.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2001: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2001: four) individuals (the "Employees") during the year are as follows:

	2002	2001
	HK$'000	*HK$'000*
Basic salaries and allowances	**3,304**	4,102
Commission	**94**	—
Contribution to provident fund	**153**	218
Compensation for loss of office	**—**	1,135
	3,551	5,455

During the years ended 30th November 2002 and 2001, no emoluments were paid by the Group to any of the Employees as an inducement to join or upon joining the Group.

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

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

	2002	2001
Emolument bands	**Number of Employees**	
HK$Nil - HK$1,000,000	**4**	1
HK$1,000,001 - HK$1,500,000	**—**	1
HK$1,500,001 - HK$2,000,000	**—**	2

9 Retirement benefit costs

Contributions totalling HK$76,000 (2001: HK$542,000) were payable to the funds at year end and are included in other payables.

10 Fixed assets — Group

	Leasehold improvements *HK$'000*	**Furniture and fixtures** *HK$'000*	**Office equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
Cost					
As at 1st December 2001	4,738	1,335	8,112	32	14,217
Exchange difference	62	49	212	3	326
Additions	174	8	244	—	426
Disposals	(4,800)	(613)	(1,324)	—	(6,737)
As at 30th November 2002	174	779	7,244	35	8,232
Accumulated depreciation					
As at 1st December 2001	2,159	569	3,682	17	6,427
Exchange difference	27	20	120	1	168
Charge for the year	774	238	2,217	10	3,239
Disposals	(2,946)	(349)	(908)	—	(4,203)
As at 30th November 2002	14	478	5,111	28	5,631
Net book value					
As at 30th November 2002	160	301	2,133	7	2,601
As at 30th November 2001	2,579	766	4,430	15	7,790
Net book value of leased assets					
As at 30th November 2002	—	—	—	—	—
As at 30th November 2001	—	—	424	—	424

11 Intangible assets — Group

	Goodwill	Intellectual property rights	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 1st December 2001	14,585	7,356	21,941
Impairment charges (note 3)	(10,097)	(3,961)	(14,058)
Amortisation charges (note 3)	(4,488)	(3,395)	(7,883)
As at 30th November 2002	—	—	—
As at 30th November 2002			
Cost	60,900	15,585	76,485
Accumulated impairment charges	(35,097)	(7,861)	(42,958)
Accumulated amortisation	(25,803)	(7,724)	(33,527)
Net book amount	—	—	—
As at 30th November 2001			
Cost	60,900	15,585	76,485
Accumulated impairment charges	(25,000)	(3,900)	(28,900)
Accumulated amortisation	(21,315)	(4,329)	(25,644)
Net book amount	14,585	7,356	21,941

(a) In light of the economic downturn and competition in the securities software industry, the Group has reviewed the carrying value of the goodwill arising on the acquisition of abc Multiactive (Hong Kong) Limited and an impairment charge of HK$10,097,000 has accordingly been made in the year ended 30th November 2002 (2001: HK$25,000,000).

(b) In light of the rapid changes in technology, the Group has reviewed the carrying value of the intellectual property rights and an impairment charge of HK$3,961,000 has been made in the year ended 30th November 2002 (2001: HK$3,900,000).

12 Investments in subsidiaries

	Company 2002 HK$'000	Company 2001 HK$'000
Investments in unlisted shares		
Cost	**62,126**	62,126
Less: provision for impairment losses	**(62,126)**	(54,346)
	—	7,780
Amounts due from subsidiaries (note a)	**103,290**	96,248
Less: provision	**(103,290)**	(37,643)
	—	58,605
	—	66,385

(a) The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(b) The following is a list of the subsidiaries as at 30th November 2002:

Name	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 software and provision of maintenance services
Multiactive Software Pty. Limited ("abc Australia")	Australia	100,000 ordinary shares of A$1.00 each	99.99%	Sale of computer products and provision of maintenance services (abc Australia is subject to a deed of company arrangement as explained in note c below)
abc Multiactive (Singapore) Pte. Limited ("abc Singapore")	Singapore	100,000 ordinary shares of S$1.00 each	100%	Under liquidation
Maximizer Software Pty. Limited	Australia	1 ordinary share of A$1.00 each	100%	Dormant

12 Investments in subsidiaries *(continued)*

(c) On 28th June 2002, abc Australia placed itself under voluntary administration and appointed administrators for the purpose of debt restructuring.

Working together with the management of abc Australia, the administrators reviewed the books and records of abc Australia and issued a report to creditors on 17th July 2002 recommending the rate of reduction in debts (excluding the administrators' fee payable and employees' entitlement payable which will be settled in full) to A$0.225 to the dollar and a payment schedule of this amount for the approval of abc Australia's creditors. The creditors' meeting took place on 25th July 2002 and the creditors resolved that abc Australia should enter into a deed of company arrangement (the "Deed"). The Deed was executed between the administrators and abc Australia on 9th August 2002. The broad terms of the Deed are as follows:

(i) abc Australia will provide to the administrator, the amount of A$350,000 (approximately HK$1,531,000) over twelve months from the date of execution of the Deed. The funds are to be provided in the following manner:

— An upfront payment of A$50,000 (approximately HK$219,000) upon the execution of the Deed; and
— Twelve equal monthly instalments of A$25,000 (approximately HK$109,000) commencing one month after the execution of the Deed, with the final payment being due on 9th September 2003.

(ii) abc Australia has provided the administrators with a charge over its assets to secure the Deed contributions.

(iii) Multiactive Software Inc., the Company and the directors of abc Australia (Messr. Frank Hing Fat Hung, Terence Chi Yan Hui and Joseph Chi Ho Hui) are to be excluded from participation in the distribution of funds under the Deed.

(iv) Upon abc Australia making all payments, the creditors must accept their entitlements under the Deed, in full satisfaction and complete discharge of all debts or claims, amounting to A$903,000 (approximately HK$3,950,000), that they have against abc Australia. abc Australia will recognise a gain of A$553,000 (approximately HK$2,419,000) as a result.

(v) If any terms of the Deed are breached, the administrators may issue a demand requiring abc Australia to comply with the terms within 21 days. If abc Australia fails to comply with the demand, the administrators may convene a meeting of creditors to consider a variation or termination of the Deed, with the potential consequential reinstatement of the full amount of the liabilities.

13 Inventories

Inventories represent merchandise. As at 30th November 2002, the carrying amount of inventories that are carried at net realisable value amounted to HK$108,000 (2001: HK$258,000).

14 Trade and other receivables

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables *(note a)*	**2,133**	4,046	**—**	—
Prepayments and deposits	**1,019**	4,199	**11**	22
	3,152	8,245	**11**	22

(a) As at 30th November 2002, the aging analysis of the trade receivables was as follows:

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current	**798**	1,989	**—**	—
30 - 60 days	**561**	772	**—**	—
61 - 90 days	**134**	193	**—**	—
Over 90 days	**640**	1,092	**—**	—
	2,133	4,046	**—**	—

Trade receivables are due upon the presentation of invoices.

15 Promissory note payable to a shareholder

As at 30th November 2002, the promissory note is interest bearing at prime rate and is repayable on 22nd May 2003. Subsequent to the year end, the shareholder has confirmed that it will not demand repayment within twelve months from the balance sheet date and has agreed to extend the maturity date of the promissory note to 22nd May 2004. A repayment of HK$500,000 has been made during the year.

16 Amount due to the ultimate holding company

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

17 Share capital

Authorised:

	Note	Ordinary shares No. of shares	*HK$'000*
As 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	—
As at 30th November 2001, ordinary shares of HK$0.01 each		100,000,000,000	1,000,000
As at 1st December 2001 and 30th November 2002, ordinary shares of HK$0.01 each		100,000,000,000	1,000,000

Issued and fully paid:

		Ordinary shares No. of shares	*HK$'000*
As at 1st December 2000, ordinary shares of HK$0.005 each		2,452,790,000	12,264
Consolidation of ordinary shares into HK$0.04 each	(a)	(2,146,191,250)	—
Issue of ordinary 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	—
As at 30th November 2001, ordinary shares of HK$0.01 each		1,605,909,668	16,059
As at 1st December 2001 and 30th November 2002, ordinary shares of HK$0.01 each		1,605,909,668	16,059

(a) On 2nd January 2001, pursuant to a resolution in writing of the shareholders every eight of the authorised issued and unissued ordinary 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 ordinary shares of HK$0.04 each and the issued capital of the Company was HK$12,263,950 consisting of 306,598,750 ordinary shares of HK$0.04 each.

17 Share capital *(continued)*

(b) Pursuant to a resolution in writing of the directors of the Company passed on 22nd January 2001, 38,836,000 ordinary shares of HK$0.04 each were allotted and issued on the same day to Multiactive Software Inc. ("Multiactive"), 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 Multiactive in connection with outstanding royalty payments and other charges. On the same day, Multiactive transferred the same 38,836,000 ordinary 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 19).

(c) On 30th November 2000, 10,000,000 shares with a nominal value of HK$0.005 per share 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 ordinary 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 ordinary shares 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 Multiactive.

(d) On 29th January 2001, 12,500,000 ordinary 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 19). The net proceeds of approximately HK$15,000,000 have been used to acquire certain intellectual property rights from Multiactive.

(e) On 31st January 2001, the Company issued 41,876,000 ordinary shares of HK$0.04 each by way of placing HK$1.20 per share for a total cash consideration of HK$50,300,000 in relation to the listing of the Company's shares on the Growth Enterprise Market ("GEM"). Accordingly, approximately HK$48,576,000 was credited to the share premium account (note 19). The shares of the Company were listed on GEM on 31st January 2001. The net proceeds of approximately HK$40,000,000 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 ordinary share of HK$0.04 each in the share capital of the Company was subdivided into four ordinary shares of HK$0.01 each respectively.

18 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 shares 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 of 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 was adopted on 22nd January 2001 (the "Adoption Date") and is valid and 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 nominal value of HK$1.00 is 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 2002 were as follows:

	Date of grant	Exercise price	Exercisable period	Options held as at 30th November 2001	Options lapsed during the year	Options held as at 30th November 2002
Executive directors	17th April 2001	HK$0.3625	17th April 2002 to 16th April 2011	9,600,000 (1)	4,800,000 (2)	4,800,000
	28th May 2001	HK$0.4675	28th May 2002 to 27th May 2011	960,000 (1)	480,000 (2)	480,000
Continuous contract employees	17th April 2001	HK$0.3625	17th April 2002 to 16th April 2011	33,585,428 (1)	4,203,841 (2)	29,381,587
	28th May 2001	HK$0.4675	28th May 2002 to 27th May 2011	3,493,244 (1)	541,984 (2)	2,951,260

Notes:

1. The exercise prices are after the adjustment for the effect of share subdivision as detailed in note 17(f) to the accounts.

2. These share options lapsed during the year upon the cessation of employment of certain director/employees.

The exercise in full of the above options outstanding as at 30th November 2002 would, under the present capital structure of the Company, result in the issue of 37,612,847 additional ordinary shares of HK$0.01 each.

19 Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Group Exchange difference HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 30th November 2000	41,936	37,600	—	(20,638)	58,898
Issue of ordinary shares (note 17)	80,874	—	—	—	80,874
Share issue expenses	(16,692)	—	—	—	(16,692)
Elimination of goodwill arising from group reorganisation (note b)					
— As previously reported	—	—	—	(25,278)	(25,278)
— Effect of adopting SSAP 30 and SSAP 31 (note 1(f)(i))	—	—	—	25,278	25,278
— As restated	—	—	—	—	—
Exchange difference	—	—	1,201	—	1,201
Loss for the year					
— As previously reported	—	—	—	(95,302)	(95,302)
— Effect of adopting SSAP 30 and SSAP 31 (note 1(f)(i))	—	—	—	(25,278)	(25,278)
— As restated	—	—	—	(120,580)	(120,580)
As at 30th November 2001	106,118	37,600	1,201	(141,218)	3,701
Exchange difference	—	—	(2,944)	—	(2,944)
Loss for the year	—	—	—	(38,281)	(38,281)
As at 30th November 2002	106,118	37,600	(1,743)	(179,499)	(37,524)

	Share premium HK$'000	Contributed surplus HK$'000	Company Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
As at 30th November 2000	41,936	37,600	976	80,512
Issue of ordinary shares (note 17)	80,874	—	—	80,874
Share issue expenses	(16,692)	—	—	(16,692)
Loss for the year	—	—	(94,986)	(94,986)
As at 30th November 2001	106,118	37,600	(94,010)	49,708
Loss for the year	—	—	(76,168)	(76,168)
As at 30th November 2002	106,118	37,600	(170,178)	(26,460)

19 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 during the year ended 30th November 2001.

20 Obligations under finance leases

As at 30th November 2002, the obligations under finance leases were repayable as follows:

	2002	2001
	HK$'000	*HK$'000*
Within one year	—	420
Future finance charges on finance leases	—	(11)
Present value of finance lease liabilities	—	409

The present value of finance lease liabilities is as follows:

— Within one year	—	409

21 Notes to the consolidated cash flow statement

(a) Reconciliation of loss before taxation to net cash outflow generated from operations:

	2002	2001
	HK$'000	*HK$'000*
		(restated)
Loss before taxation	**(37,853)**	(120,994)
Depreciation	**3,239**	3,751
Amortisation of intangible assets	**7,883**	16,509
Impairment of intangible assets	**14,058**	54,178
Loss on disposals of fixed assets	**2,320**	—
Interest income	**(82)**	(525)
Interest expenses	**634**	173
Loss before taxation and working capital changes	**(9,801)**	(46,908)
Decrease in work in progress	**83**	95
Decrease/(increase) in inventories	**150**	(68)
Decrease in trade and other receivables	**5,093**	7,592
Increase/(decrease) in amount due to the ultimate holding company	**1,023**	(6,273)
(Decrease)/increase in other payables, accrued charges and deposits received	**(3,821)**	6,396
(Decrease)/increase in deferred revenue	**(189)**	366
Net cash outflow generated from operations	**(7,462)**	(38,800)

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

	Share capital (including premium and contributed surplus)		**Promissory notes payable to shareholders**		**Obligation under finance leases**	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
As at 1st December	**159,777**	91,800	**10,000**	7,200	**409**	774
Issue of ordinary shares	**—**	65,251	**—**	—	**—**	—
Amount due to a shareholder	**—**	—	**—**	10,000	**—**	—
Shares issued expenses	**—**	(16,692)	**—**	—	**—**	—
Repayment of promissory note to a shareholder	**—**	—	**(500)**	(7,200)	**—**	—
Shares issued for non-cash consideration	**—**	19,418	**—**	—	**—**	—
Inception of finance lease	**—**	—	**—**	—	**—**	145
Repayment of capital element of finance leases	**—**	—	**—**	—	**(409)**	(510)
As at 30th November	**159,777**	159,777	**9,500**	10,000	**—**	409

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

(c) Acquisition of subsidiaries

	2002	2001
	HK$'000	*HK$'000*
Net liabilities acquired		
Fixed assets	—	1,971
Trade and other receivables	—	5,389
Inventories	—	190
Bank balances and cash	—	480
Trade and other payables	—	(30,245)
Deferred revenues	—	(66)
Amount due to the ultimate holding company	—	(2,121)
	—	(24,402)
Goodwill	—	25,278
Net cash outflow from operating activities	—	876
Satisfied by		
Cash	—	876

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

	2002	2001
	HK$'000	*HK$'000*
Cash consideration	—	(876)
Bank balances and cash in hand acquired	—	480
Net cash outflow in respect of acquisition of subsidiaries	—	(396)

22 Commitments under operating leases

As at 30th November 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2002	2001
	HK$'000	*HK$'000*
Within one year	**1,046**	4,511
In the second to fifth year inclusive	**631**	2,759
	1,677	7,270

23 Related parties transactions

Apart from the promissory notes payable to a shareholder and a party connected to a non-executive director of the Company, and the amount due to the ultimate holding company as disclosed in notes 15, 26 and 16 to the accounts respectively, the Group had the following significant related party transactions during the year, which were carried out in the normal course of the Group's business:

	2002	2001
	HK$'000	*HK$'000*
Acquisition of intellectual property rights of certain software from the ultimate holding company (note a)	**—**	15,585
Development cost paid to the ultimate holding company (note b)	**—**	808
Software merchandises purchased from the ultimate holding company (note c)	**73**	393
Royalty fee payable to the ultimate holding company (note d)	**969**	—
Interest payable to a shareholder on promissory note payable (note 15)	**508**	7

(a) Pursuant to a software assignment agreement entered into between Multiactive Software Inc. ("Multiactive") and the Group on 22nd January 2001, Multiactive 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.

(b) Pursuant to a joint development agreement entered into between Multiactive 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 costs of HK$808,000 to Multiactive on 26th May 2001.

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

(d) This represents royalty fee payable to Multiactive in the normal course of business in relation to the sale of new customer relationship management software developed by Multiactive that is not covered by the software assignment agreement. If the Group exercises its option to acquire the intellectual property rights of the software, the royalty fee payable can be utilised to off-set the Group's share of the development cost pursuant to the joint development agreement.

24 Banking facilities

The Group's banking facilities are secured by a fixed deposit of the Group amounting to approximately HK$218,000 (2001: HK$1,197,000).

25 Contingent liabilities

As at 30th November 2002, 17 (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. As at 30th November 2002, the estimated liabilities not provided for in the accounts for such purpose amounted to HK$1,296,000 (2001: HK$1,710,000).

26 Subsequent event

Subsequent to 30th November 2002, Wickham Group Limited, a company wholly owned by Mr. Kau Mo Hui, a non-executive director of the Company, advanced approximately HK$5,134,000 to the Group in January and February 2003. In consideration of the advance, the Company issued a promissory note to Wickham Group Limited on 21st February 2003. The promissory note is unsecured, bears interest at Hong Kong prime rate per annum and is repayable on 21st February 2004. Wickham Group Limited has confirmed that it will not demand repayment of the promissory note until that date.

Save as aforesaid, no other significant events took place subsequent to 30th November 2002.

27 Ultimate holding company

As at 30th November 2002, the directors regard Multiactive Software Inc. ('Multiactive"), a company incorporated in Canada and listed on the Toronto Stock Exchange, as being the ultimate holding company. On 11th December 2002, Multiactive completed a plan of arrangement (the "Arrangement") with its shareholders and Maximizer Software Inc. ("MSI"), Multiactive's wholly owned subsidiary. Under the Arrangement, shareholders of Multiactive exchanged each of their common shares of Multiactive for common shares of MSI on a one-for-one basis. Holders of options to purchase common shares in Multiactive also exchanged their options for options in MSI on a one-for-one basis, on the same terms and conditions as the Multiactive options. On 15th December 2002, MSI acquired all of the assets and liabilities of Multiactive, other than the software and related business known as "ecBuilder", and became the new ultimate holding company of the Company. The shares of MSI commenced trading on the Toronto Stock Exchange in place of the shares of Multiactive on the opening for trading on 16th December 2002.

28 Approval of accounts

The accounts were approved by the board of directors on 25th February 2003.

Five year financial summary

The following table summarises the audited results, assets and liabilities of the Group for the year ended 30th November 2002, and the pro forma unaudited results, assets and liabilities of the Group for each of the four years ended 30th November 1998, 1999, 2000 and 2001. The pro forma unaudited results, assets and liabilities were 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 Multiactive (Hong Kong) Limited, 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	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
		(Pro forma unaudited)			**(Audited)**
Turnover	8,388	15,210	33,739	30,307	**25,668**
Loss for the year	(5,058)	(2,314)	(34,258)	(96,105)	**(38,281)**

	As at 30th November				
	1998	1999	2000	2001	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
		(Pro forma unaudited)			**(Audited)**
Total assets	3,912	9,266	92,571	49,391	**7,583**
Total liabilities	(13,473)	(21,218)	(44,601)	(29,631)	**(29,048)**
Net (liabilities)/assets	(9,561)	(11,952)	47,970	19,760	**(21,465)**